

**EVALUATION OF THE PROMOTING
FINANCIAL INVESTMENTS AND
TRANSFERS (PROFIT)
PROJECT**

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LIST OF ABBREVIATIONS

AAR	Africa Air Rescue Health Services
ADB	African Development Bank
AIG	American International Group
ANE	Bureau for Asia and the Near East
APEC	Asia Pacific Economic Community
APIA	AIDS Population and Health Integrated Assistance
ARFI	AIDS Research Foundation of India
BCGC	Bankers Association of the Philippines Credit Guaranty Corporation
BKKBN	National Family Planning Coordinating Board (Indonesia)
BRI	Bank Rakyat Indonesia
CA	Cooperating Agency
CBSM	community-based social marketing
CEDPA	The Centre for Development and Population Activities
CEPEO	Contraceptive Procurement Organization
CONRAD	Contraceptive Research and Development project
CTO	Cognizant Technical Officer
CYP	couple year of protection
DTT	Deloitte Touche Tohmatsu
EC	European Economic Community
EXIM	Export-Import Bank
FDA	Food and Drug Administration
FEMAP	<i>Federacion Mexicana de Asociaciones Privadas de Planificacion Familiar</i>
FHI	Family Health International
FP	family planning
FPAK	Family Planning Association of Kenya
FPPS	Family Planning Private Sector project
FP/RH	family planning/reproductive health
FY	fiscal year
GOI	Government of Indonesia
GOK	Government of Kenya
HCFP	Health Care Financing Project
HIV	human immunodeficiency virus
HMO	Health Maintenance Organization
IBI	Indonesian Midwives Association
IBRD	International Bank for Reconstruction and Development (World Bank)
ICPD	International Conference on Population and Development (Cairo)
IDB	Inter-American Development Bank
IEC	information, education, and communication
IFH	International Family Health

ILA	Deloitte Touche Tohmatsu International Lending Agency Group, Ltd.
IPPF/WHR	International Planned Parenthood Federation/Western Hemisphere Region
IUD	intrauterine device
JSI	John Snow, Inc.
LAC	Bureau for Latin America and the Caribbean
MCH	maternal and child health
MERCOSUR	South American Economic Community (Argentina, Brazil, Chile, Paraguay and Uruguay)
MIS	management information system
MNC	multinational corporation
MOF	Ministry of Finance
MOH	Ministry of Health
NGO	nongovernmental organization
NIS	New Independent States
ODA	Overseas Development Administration
OPTIONS	Options for Population Policy Project
OR/TA	operations research/technical assistance
PATH	Program for Appropriate Technology in Health
PHN	population, health, and nutrition
PREMIS	PROFIT Evaluation and Monitoring Information System
PROFAMILIA	<i>Asociacion Pro-Bienestar de la Familia</i> (Columbia)
PROFIT	Promoting Financial Investments and Transfers Project
R&D	Research and Development
RFP	request for proposal
SEATS	Family Planning Services and Expansion and Technical Support project
SOMARC	Social Marketing for Change project
STD/HIV	sexually transmitted disease/human immunodeficiency virus
TA	technical assistance
TFG	The Futures Group
TFR	total fertility rate
TIPPS	Technical Information on Population for the Private Sector Project
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
ZNFPC	Zimbabwe National Family Planning Council

EXECUTIVE SUMMARY

The external evaluation of the Promoting Financial Investments and Transfers Project (PROFIT) was conducted by a four-person team between May 14 and June 14, 1996. The United States Agency for International Development (USAID) Office of Population requested that this evaluation be forward-looking. This is because the evaluation of the PROFIT and Contraceptive Social Marketing projects will be used to develop a new private sector initiative in population, health and nutrition.

The PROFIT project has been implemented by a prime contractor, Deloitte Touche Tohmatsu International, and four subcontractors: the Boston University Center for International Health, Multinational Strategies, Inc., Family Health International, and Development Associates, Inc. The objective of the contract was to increase developing country resources for family planning by encouraging greater private sector resources (funds, services, and commodities). PROFIT's goals as defined in its Five-Year Strategy were to 1) act as a catalyst for creating models showing that family planning in the private sector can be profitable and sustainable; 2) establish 20 large subprojects; 3) leverage USAID funds; 4) achieve a measurable impact; and 5) provide a central resource of financial and managerial expertise for USAID, both in Washington and field Missions, and Cooperating Agencies (CAs).

Over the course of four and one half years, PROFIT staff identified 79 opportunities for project activities in the commercial sector. Of those, 28 subprojects were developed. Given the financial orientation of the project, PROFIT staff used its expertise to prepare a careful "Due Diligence" analysis of each potential investment and the final investment document. Currently, there remain 10 active subprojects after two ended prematurely. Seven of the 10 involve investments (both loan and equity). For these "investment" subprojects, PROFIT invested a total of US\$6.3 million, which came down to US\$5.4 million with the withdrawal of two subprojects. PROFIT's investments are leveraged by US\$17.3 million from its partners. Of the other three active subprojects, one is run with a grant and two are primarily technical assistance. The subprojects are being carried out in seven developing countries (Brazil, India, Indonesia, Kenya, the Philippines, Romania, and Zimbabwe) and the United States.

Despite considerable staff effort in identifying and developing subprojects, there are only six promising models among those that are active. These include a commercial company for distributing contraceptives in Brazil; one activity that involves working with pharmacists in Romania to expand information, counseling, and supply of contraceptives; a loan fund for midwives in Indonesia; a low-cost health care plan for workers in the informal sector in the Philippines (with a subsidiary of American International Group (AIG)); a managed health care plan for middle-income and lower income employees in Kenya; and a private sector initiatives program in Zimbabwe. Through its investment subprojects, PROFIT has demonstrated that it is possible to make investments in the private, for-profit sector of family planning and health with very good prospects for recovering the principal sum invested, if not actually realizing a return on the

investments. In addition, PROFIT has also demonstrated that under certain circumstances USAID funds do not have to be granted or given away. From a USAID contract management perspective, however, the overall contractor costs appear high for such a low output of subprojects.

Through a series of consultancies and assessments, PROFIT has also met a growing need among USAID Missions for help from a business-oriented, financially savvy contractor. For example, a number of sustainability assessments were conducted for nongovernmental organizations (NGOs) in developing countries.

In addition to the more promising models, PROFIT has accumulated extensive experience in trying to play the role of a catalyst in promoting the commercial sector. Given USAID's usual modes of giving grants and working with the public sector and not-for-profit NGOs, as well as the current push for quick results, developing and implementing opportunities in the commercial sector have not been easy. There may be as many lessons to pass on to USAID from PROFIT's unsuccessful efforts to accomplish its goals as there are from its promising endeavors.

Key lessons learned from the PROFIT contract's experience are 1) some key underlying project assumptions were invalid; 2) both USAID and PROFIT underestimated the difficulty in obtaining access to countries and developing subprojects; 3) USAID should have ventured into the world of innovative investments with more modest expectations; 4) while access to funds (e.g., loans) can stimulate private sector providers and investments, there are many reasons why commercial sector groups will engage in family planning and reproductive health activities; 5) family planning appears to be too narrow a niche among health services to get providers interested in borrowing funds; 6) a critical part of developing investments in family planning and reproductive health is the provision of technical assistance; and 7) more time is needed (5-7 years) to develop an investment sufficiently—beyond the typical five-year time frame of USAID-funded subprojects.

Despite PROFIT's difficulties and the lack of impact data, the evaluation team is encouraged by some of the more promising models that are in their early stages of development. USAID and PROFIT should provide the additional resources (be they funds or technical assistance) to see that these models have the best chance of coming to fruition. Further, PROFIT should follow these experiments carefully to assess what can be learned from them and how they can be expanded or replicated in the future.

The evaluation team commends PROFIT's current efforts to pull together its own experiences in the commercial sector and that of others into a series of reports. These reports will help document the lessons and models. PROFIT has extensive plans to disseminate the lessons learned, and these plans, along with some additional suggestions, are fully endorsed by the evaluation team. Much experience has been accumulated; much like the experience accumulated toward the end of the two predecessor projects, the Enterprise and Technical Information on Population for the Private Sector (TIPPS) projects. As USAID reviews the accumulated wisdom, it might be very useful to revisit the experiences and lessons learned from those two previous

projects. Further, a number of USAID Missions are gaining experience in promoting commercial efforts, and any future project development should draw on these experiences through the direct involvement of USAID field staff.

Finally, the evaluation team concluded its evaluation task with the strong belief that USAID should pursue work in the commercial sector in the future. In some ways, PROFIT may have been a project ahead of its time since governments and NGOs are now increasingly looking for ways to make the provision of health services sustainable. USAID's future approach must continue to be experimental; these efforts and their costs should be seen as a form of research and development for the Agency. The approach should also be comprehensive, working from the "top down" on broad policy issues that affect privatization and the commercial sector's role. It should also work from the "bottom up" through continued support for testing and development of the "how to" models. The effectiveness of this endeavor in the future will depend in part on USAID's ability to adapt its own culture, structure, and procedures to permit new ways of doing business.

1. INTRODUCTION

1.1 Background

The Promoting Financial Investments and Transfers Project (PROFIT) was originally a five-year contract began in September 1991 and subsequently amended to extend the contract's duration by one year, to September 1997. The competitively awarded, US\$36 million contract is the first half of a ten-year project authorization (No. 936 3056) that covers fiscal year (FY) 1991 to FY 2000. The purpose of the overall project was to mobilize the resources of the for-profit sector for family planning (FP) services and to achieve a greater for-profit sector contribution to the support and funding of family planning services in selected developing countries.

PROFIT was seen partly as a follow on to two previous projects of the Office of Population at the U.S. Agency for International Development (USAID): the Enterprise and Technical Information on Population for the Private Sector (TIPPS) projects. These projects (1985-1990) helped to stimulate provision and financing of family planning (FP) services by the commercial sector. The scope of work for PROFIT spelled out three areas of work, two of which (reaching private health care providers and employer-provided family planning) were a continuation of earlier efforts. A new and untested third area, called "innovative investments," included local production of contraceptives; assessing and reducing trade barriers; and financial transfer mechanisms such as corporate blocked funds, debt conversions, and mixed credits. This latter area received major emphasis and funding (US\$17 million or nearly half of the contract's budget). PROFIT was developed at a time when USAID was giving much attention to the for-profit sector, and there were considerable expectations about the possibility of unleashing commercial resources for family planning.

1.2 External Evaluation Methodology

The evaluation of the PROFIT contract was carried out by a four-person team from May 14 to June 14, 1996. The scope of work for the evaluation is presented in Appendix A. The composition of the team included experts in USAID structure and operations, including the population, health, and nutrition (PHN) program; business planning, finance, and investment; program evaluation; and dissemination. The team spent its first week in Washington, D.C., meeting USAID and contractor staff as well as conducting interviews with others who are knowledgeable or involved in the implementation of the contract. (See Appendix B for a list of contacts.) Three team members visited a total of four countries where PROFIT has subprojects: Indonesia, the Philippines, Kenya, and Zimbabwe. The team spent a fourth week in Washington, D.C., pulling together conclusions, conducting additional interviews, and holding debriefings for USAID and PROFIT contract staff.

2. PROJECT PERFORMANCE

2.1 Contract Objectives and Conceptual Issues

Based on the experience of the Enterprise and TIPPS projects, the contract attempted to be very explicit about the PROFIT project's objectives and to set parameters for their implementation. The objective of the contract was to increase developing country resources for family planning by encouraging greater input from private sector resources (funds, services, and commodities). The contractor was to concentrate efforts in about 10 countries (with PROFIT representatives in most of the countries); develop and carry out 20 large scale subprojects; and provide expertise in business, marketing, finance, and trade as well as family planning.

The contract placed considerable emphasis on "active and ongoing evaluation and monitoring" and called for both an overall evaluation strategy with measures and targets as well as country specific evaluation strategies. The contract also gave explicit attention to dissemination of accomplishments and lessons learned. And the contractor was expected to provide technical assistance to a variety of countries in addition to those where subprojects were to be developed.

2.1.1 PROFIT's Evolving Work Scope

PROFIT's Five-Year Strategy laid out the project's goals; these were to 1) act as a catalyst for creating models that show that family planning in the private sector can be profitable and sustainable; 2) establish 20 large subprojects (involving investments of at least US\$500,000); 3) leverage USAID funds by a 4:1 ratio; 4) achieve a measurable impact; and 5) provide a central resource of financial and managerial expertise for USAID/Washington and Missions and Cooperating Agencies (CAs). In the Third Year Management Review, the PROFIT project outlined six sectors that defined the project's work (see section 2.3.1 — 2.3.6). Four of these sections (2.3.1, 2.3.2, 2.3.4, and 2.3.5) are useful for categorizing the project's development of subprojects, and two sectors (trade barriers/regulatory issues [2.3.3] and privatization [2.3.6]) were addressed by the PROFIT staff in the course of country assessments and some subprojects.

With the establishment of the Summa Foundation, the PROFIT contract had a mechanism through which investments (both equity and loans¹) could be made as part of the development of subprojects. As a result, USAID had a means to actually recover some of its investment funds. At the early stage, the PROFIT contract was an attempt by the USAID Office of Population to bring to bear the disciplines of the for-profit sector to support family planning programs in developing countries. It was designed as an attempt to find ways for funds that are invested in these countries to return to USAID for reinvestment, rather than continuing the Agency practice of granting funds to governments and nongovernmental organizations (NGOs) and receiving no financial returns. The return of the funds would permit recycling them.

¹Equity refers to funds invested by Summa in a company or joint venture as "capital." The equity investment normally entitles Summa to a share in the company's ownership and a stake in profits, in accordance with negotiated agreements with PROFIT's partners. In cases where Summa is the sole owner of a company, its funding is treated as equity capital. Loans are specific debt instruments extended by Summa to PROFIT's partners, who become responsible for the repayment of the loans' principal and interest charges, in accordance with the terms of the loan agreements.

For numerous reasons that will be presented subsequently, the pace of subproject development was slower than either USAID or the PROFIT contractor had anticipated. As a result of the Third Year Management Review, USAID gave renewed emphasis to evaluation and research that would draw out the lessons learned from PROFIT's and others' work as well as dissemination of lessons to the appropriate audiences. In 1993, USAID amended the contract to allow for several new types of assistance, including work with private voluntary organizations (PVOs) and NGOs and new contraceptive technology development.

2.1.2 *External Influences on the Project*

USAID Climate. In the late 1980s when USAID staff designed the PROFIT project, the climate in the Agency was favorable toward exploring opportunities to exploit the resources of the commercial sector. This disposition was prompted by Reagan Administration appointees at USAID who were actively promoting private, for-profit sector activities. It was also stimulated by several analyses (Gillespie, 1989; Merrick, 1989; Janowitz, 1990; and the United Nations Population Fund, 1990) that called for greatly increased resources to help finance a projected shortfall to meet the growing needs for family planning in developing countries. While PROFIT was conceived in a climate ripe for commercial-sector interventions, by 1991 when the contractor was getting started, the push from the center (USAID/W) had weakened, and USAID Missions gave a lower priority to commercial-sector activities.

Debt Situation in Developing Countries. In 1990 when PROFIT was designed, the availability of debt conversion and in-country blocked corporate funds² as a potential source of "innovative investment" was assumed. However, the availability of these funds did not turn out as hoped. Despite much enthusiasm for debt swaps and some examples in other sectors (e.g., in the environmental area, *Fundacion Natura* in Ecuador), the methodologies and mechanisms to bring them about did not exist in the population field. By the time the PROFIT project was poised to pursue these funds, the market had turned down. In addition, the funds needed for family planning and health projects amounted to a few million dollars (US\$1 million—US\$5 million), sums that did not command the attention of local Ministries of Finance. The procedures were difficult to set up with the local authorities, and the costs were inordinately expensive due to the small size of the debt swaps.

United Nations Conference on Population and Development. Another external factor, the U.N. Conference on Population and Development (ICPD) held in September 1994, did not actually alter PROFIT's objectives but rather reinforced the project's own experience in developing subprojects. Among other issues, ICPD called for the integration of other reproductive health (RH) interventions (e.g., sexually transmitted disease (STD)/HIV prevention and maternal care) into family planning programs and greater attention to the quality of care from the user's perspective. The change from a focus on family planning alone to family planning and reproductive health (FP/RH) was reflected (albeit unevenly) in USAID's policies and programs

²Profits that multinational corporations cannot repatriate.

and supported PROFIT's own market research findings: family planning alone "does not sell." A second ICPD focus—on quality of services—also validated the basic business principle of consumer or customer orientation and PROFIT's market approach.

2.1.3 Validity of Project Assumptions

The PROFIT project and contract were developed based on numerous underlying assumptions. Some of these assumptions were integral to USAID's conceptualization of the project, others were more central to the project's implementation strategies, but they all have a bearing on how the project proceeded and the outcomes to date.

Assumptions in USAID's Project Design

Several assumptions were made for achieving the project's purpose and outputs in the logical framework for the project design.

1. Economic growth in targeted countries is sufficient to permit private sector investment in social services.

For those countries where PROFIT developed subprojects, the level of economic growth was quite varied. Only three countries had strongly improving economies in 1992, 1993, and 1994 in terms of GDP percentage and per capita income growth: Indonesia (6.5, 6.5, and 7.0), Brazil (-6.2, 4.3, and 5.7) and El Salvador (5.0, 5.3, and 5.8). Economic growth was poor to mild in four countries: India (3.8, 3.8, and 4.9), the Philippines (0.3, 2.1, and 4.5), Romania (-10.1, 1.3, and 3.4) and Zimbabwe (-6.2, 2.1, and 4.5). The poor situation in Zimbabwe and India precluded PROFIT activities in 1992, and there was no significant growth in Kenya (0.3, 0.1, and 3.0), however, growth has improved more recently. There seems to be a partial correlation between economic growth and the outlook for development of family planning in the commercial health sector.

2. Legal and policy framework is amenable to private investment in family planning.

An understanding of the legal and policy framework in any country remains important to effective project development. The PROFIT staff's selection of opportunities was in part based on developing subprojects that could be implemented without changing legal and regulatory barriers. This was a wise, pragmatic decision, given the project's time frame and its staff resources. (See also discussion in section 2.3.3.)

3. Attractive and viable debt conversion opportunities (debt swaps, use of blocked funds) are available to finance private sector family planning projects.

This assumption was based on an overly optimistic view of debt conversion opportunities considering that the field of population had little experience in these kinds of transactions. This optimistic assessment led to US\$17.4 million being allocated in the PROFIT contract budget for debt conversions. As mentioned in section 2.1.2, by the time the project had found an appropriate investment vehicle in the Summa Foundation in mid-1992, the general market for debt swaps had declined. Thereafter, the project did not appear to make further attempts to reserve or make debt swaps even after the market had improved. The market for blocked funds was similar to that for debt swaps.³

Assumptions Highlighted by PROFIT

Additional assumptions have been highlighted by the PROFIT staff in the "External Evaluation Briefing Manual" (May 1996). Many of these were drawn from the lessons learned and recommendations of two previous USAID projects, Enterprise and TIPPS.

4. The private sector, if provided with appropriate economic incentives and "start-up" subsidies, could be mobilized to invest in family planning activities in developing countries.

This assumption did not turn out to be valid and was also incomplete because of the following reasons: a) the existence of financial incentives is useful but not sufficient to mobilize the private sector to become willing to invest, b) a favorable investment climate, markets, a good business, and the likelihood of a reasonable return are also necessary conditions for the private sector to decide to participate and stay, c) business "formulas" on how to generate profits with family planning activities did not exist at the project's start nor during its early phases, and d) the commercial private sector needs to understand the particular nature of family planning to become interested in its profit-making potential.

5. Collaboration with the commercial sector, particularly in high-risk/high-gain activities, would result in substantial financial benefits for family planning programs and activities.

This assumption did not turn out to be entirely valid because of three reasons: a) few commercial health players are likely to enter into family planning activities, unless they already have had experience (such as pill or condom manufacturers and distributors) since they associate this activity with a specialized area of health requiring particular understanding and expertise; b) the current knowledge of profitable business activities dedicated solely to family planning is scant. So far, it appears that FP/RH activities are profitable in selected areas, such as manufacturing of contraceptives and other supplies, under specific circumstances; c) it appears that opportunities for making substantial financial benefits by providing family planning services must be integrated into a larger health services context to be realizable. In some countries, structural health sector

³According to one reviewer of this report, both IPPF/WHR and Pathfinder have tapped blocked funds successfully in selected countries.

changes need to occur before these benefits can be obtained.

6. Program impact could be achieved by working in developing countries with vibrant private sectors and supportive family planning environments.

Although it was unrealistic to expect this project to have a national program impact in family planning in USAID priority countries, the assumption turned out to be only partly true: a) the private sector encompassed private voluntary organizations (such as Indonesian Midwives), and b) a supportive family planning environment included governments that were making space for the private sector by retreating somewhat in service delivery (again, Indonesia is an example.) Even with these examples, it is too early to say anything about a national program impact made by this project.

7. Program impact could be achieved by developing 20 large and sustainable projects.

This assumption did not prove to be valid. The total number of active subprojects is only 10 because the PROFIT staff had difficulty in gaining access to work in some of the USAID priority countries, identifying ventures that were appropriate for investments, and because of the lengthy subproject development process. In addition, the actual funding level for subprojects (the size of the investments) was less than anticipated so that the criterion for the funding of subprojects was reduced from US\$500,000 to US\$250,000. According to PROFIT staff, since family planning is not a capital intensive activity, the original size of "large" subprojects was not realistic.

8. PROFIT should focus on working with commercial sector entities and not become involved with NGO sustainability issues.

This assumption did not prove to be valid. USAID Missions had a genuine need to access business experience in assisting NGOs to assess their financial sustainability. As a result and also given the slow development of commercial sector activities, USAID amended PROFIT's contract in June 1993 to include "...collaboration with PVOs and NGOs in target countries to establish stand-alone, market-based ventures for the provision of health and family planning services." PROFIT assisted four NGOs in conducting assessments of their financial sustainability.

9. Opportunities to support local manufacturing of contraceptives did exist and would likely require large capital investments.

There are divided opinions about the extent of opportunities for local manufacturing and about the validity of this assumption. PROFIT's efforts to promote local production of contraceptives in developing countries did not produce any active projects. The one investment made for this area was in a U.S.-based company. Some opportunities apparently do exist in selected settings but may require more expertise in technology transfer and production engineering rather than to financial and business skills (as provided by the PROFIT contract) in order to identify them. In addition,

international donor assistance that provides free or subsidized contraceptives discourages local commercial manufacturing and marketing endeavors. Until such donor practices are modified, few opportunities for local manufacturing will likely be available.

10. Employer-based family planning programs should be pursued because employers are "good corporate citizens" and could be persuaded to sustain such activities financially.

While this assumption still seems valid, it was not sufficiently exploited in some countries where PROFIT worked because of several reasons: the particular selection of the service providers involved in subprojects, the fact that other CAs were already working with employer-based groups, unfavorable employer-market conditions, or the lack of health sector restructuring efforts welcoming these initiatives. (Other reasons that PROFIT did not exploit this area are discussed in section 2.3.3.)

11. Activities with market-based providers should be pursued to expand private family planning service delivery and to expand private health insurance coverage of such services.

This assumption proved to be valid, although some caveats have been raised about the ease with which Health Maintenance Organizations (HMOs) and insurance providers (who are often very risk adverse) can be enticed to enter into ventures involving family planning services delivery. (See also discussion in section 2.3.5.)

Conclusions: The evaluation team analyzed various important assumptions underlying the design of the PROFIT project and contract. Some were valid, others were partly valid or incomplete, and some were invalid. The validity of the assumptions has affected the PROFIT contract's experience. The following conclusions, drawn from the review of assumptions, have important implications for the design of any follow-on activity. Discussion of assumptions numbered 9, 10, and 11 will be presented in the context of the different strategies for subproject development (see section 2.3).

1. Economic growth appears to be a necessary condition for the development of family planning in the commercial sector.
2. An understanding of the legal and policy framework is important in identifying feasible opportunities for investments in FP/RH.
3. The opportunities to tap debt conversions may exist but should be seen as only one possible avenue to generate investment funds for FP/RH and the extent of the opportunities should not be overrated.
4. Financial incentives can be useful, but are not sufficient to mobilize investments by

the private sector in family planning. Various "financial conditions" as well as an understanding of the particular nature of family planning are important to get businesses to invest in FP/RH. Models or business formulas on how to generate profits from such activities did not exist and would probably be useful.

5. Collaboration with the commercial sector to achieve substantial financial benefits in FP/RH will take a long time to develop, and will probably require provision of family planning within the larger context of health services. Further, profitability for these activities is probably limited to specific areas and under specific circumstances (although these are still unknowns).
6. Achieving program impact, especially at the national level, is unrealistic in the short term. However, there are examples of activities with particular groups and supportive governments where program impact may be achieved if the models are continued and supported.
7. Developing viable, robust subprojects that involve investments in FP/RH is no easier than developing other kinds of subprojects and takes considerable time and technical assistance, especially if a return on the original investment is to be realized.
8. Given the demands on USAID Missions, it is difficult to focus a private sector project such as PROFIT exclusively on the commercial sector. NGOs need help to move toward sustainability, and technical assistance in business planning and management is of great relevance to NGOs.

2.2 Performance in Testing Strategies and Developing Subproject Models

2.2.1 Selection of Countries

The evaluations of both the Enterprise and TIPPS projects recommended that a follow-on project should concentrate on a few countries that are appropriate for private sector activities (e.g., one that has a large, dynamic private sector.) The contract called for such a concentrated effort in countries "selected for their suitable environment for private sector family planning." However, USAID's suggested list of countries was a mix of highest priority countries, lower priority but important countries, and special circumstance countries. Only the case of Bangladesh was questionable in terms of the private sector potential because of its lower level of economic development.

As is clear from the discussions of external changes and project assumptions (sections 2.1.2 and 2.1.3 above), there were differences between what was intended in the contract and what actually occurred. At the time of the external evaluation, PROFIT had active subprojects in seven

countries (Brazil, India, Indonesia, the Philippines, Kenya, Zimbabwe, and Romania), six of which were among the 13 countries listed in the contract. Only Kenya was not on the original list. Except for Bangladesh, PROFIT was 50 percent successful in working in the appropriate countries.

Could the country selection have been otherwise? Yes, if commercial sector initiatives and privatization had remained a high priority for USAID and had been so perceived by the field. Maybe yes, if USAID/Washington had been more aggressive in working with the field Missions. Although it must be recognized that USAID Missions are autonomous and often perceive needs differently from USAID/W. Yes; if from the outset, the PROFIT staff had established contacts with USAID Missions in priority countries that would have eased initial entry into those countries.

2.2.2 Selection of Subprojects

PROFIT was to develop 20 large-scale subprojects (initially defined by the contractor as those over US\$500,000 and later reduced to US\$250,000). The selection process anticipated in the contract involved identifying potential subprojects through country assessments and then developing the most feasible private sector interventions and those with potential impact. Impact was defined as a) increased resources by for-profit entities for family planning, and b) increased provision of family planning services by for-profit firms. Two outcomes cited in the contract were "to transfer the burden of services from the public sector to the private sector" and "assuring that scarce public sector resources are carefully targeted to low-income groups."

The validity of project assumptions as well as external changes influenced subproject development (e.g., opportunities for financial leveraging and for large capital investments in local contraceptive manufacturing, and the less developed country debt situation). In addition and as would be expected, USAID Missions played a major role in the selection of the subprojects that were developed and became active. Ultimately, not only were fewer subprojects developed of smaller scale, but the nature of subprojects (Zimbabwe may be the exception) was less strategic than anticipated.⁴

The type of assistance (investments, grants, and technical assistance) provided through subprojects was determined by a number of factors. Initially, given the financial thrust of the project, investments and particularly equity investments were considered most desirable. As specific opportunities were discussed with the Missions and interested local participants, loans with ease of access, grace periods, and multi-year repayment schedules became the more feasible

⁴The subprojects of many USAID central projects could be so characterized, since what appears important or strategic from Washington is frequently not feasible or a priority in particular countries. Also as PROFIT staff pointed out, investment-led activities will tend to focus on a partners' business goals and not directly on the strategic family planning concerns of USAID.

form of investment. A few grants were also given to test entrepreneurial models, including community-based social marketing (CBSM) in India and an array of strategies in Zimbabwe.

Could the selection of subprojects have been otherwise? Yes, if USAID had a more realistic view of what "innovative investments" (especially debt swaps and blocked funds) might yield in the family planning area. Yes, if PROFIT staff had more experience in health service delivery and financing as well as local manufacturing on the ground in those countries where they were active. The central lesson learned is that USAID should have ventured into the world of innovative investments much more cautiously and with fewer dollars. Such an altered emphasis would have sent a different message to bidders on the request for proposal (RFP) and would probably have resulted in a different staff composition: a better balance between those best able to follow-up the previous projects' experiences and those able to break new ground in the world of finance and business.

2.3 Subproject Models by Sectoral Strategy

The PROFIT staff spent much time and effort identifying opportunities for subprojects and developing proposals. A total of 79 opportunities were identified, and of those the staff developed 28 subprojects with commercial sector organizations (e.g., health insurance companies, providers of managed health care, associations of health care providers such as nurse midwives, financial institutions, large employers, and manufacturers and distributors of contraceptives.) Twelve developed subprojects became active, although two terminated early.⁵ Of the 10 active subprojects, seven involve investments (both loan and equity), one is a grant, and two are essentially technical assistance activities. Nine of the active subprojects are being carried out in seven developing countries, and one is in the United States.

For those subprojects involving investments, PROFIT invested a total of US\$6.3 million (down to US\$5.4 with the withdrawal of two subprojects.) These investments are leveraged by US\$17.3 million invested by PROFIT's partners. The one U.S.-based investment of US\$2.5 million is leveraged by US\$9 million from the partner. When investments in developing countries alone are considered, US\$2.9 million was invested which is leveraged by US\$7.3 million. The US\$2.9 million is a fraction of the US\$17 million provided for innovative investments in the contract. Even so, the leveraging ratio of 2:5 is significant. The leveraging indicator may increase over time as the funds provided by PROFIT are recovered and earn interest. Further, as the funds flow back to PROFIT, the base on which the leveraging is calculated decreases, thus increasing the leveraging potential. (See section 4.2.)

⁵According to the USAID Cognizant Technical Officer (CTO), these subprojects were terminated when reports showed they would not be able to accomplish their respective objectives. In the case of Russia, field reports noted scores of other importer/wholesaler ventures having recently come into existence. This made PROFIT's effort redundant. With Bonnys, the company was collapsing and closing their clinic facilities.

The discussion of the subprojects is organized by sectoral strategies as presented in PROFIT's Third Year Management Review. The first three strategies were considered under "innovative investments" in the contract. The next two strategies are the exact areas cited in the contract. The sixth and final area is a broad objective that addresses a contract outcome.

2.3.1 Distribution and Marketing of Contraceptives

Of the 12 subprojects that were developed in this sector, three became active: one investment established a company to distribute contraceptive commodities, one grant to distribute condoms, and one technical assistance endeavor to stimulate consumer knowledge and use of contraception and to promote pharmacies as providers of supplies and counseling.

(1) Brazil — CEPEO (investment of US\$544,000)

While Brazil has a high level of contraceptive prevalence, poor channels of access have led to a narrow mix of contraceptive methods (pills and sterilization are the most used—80 percent). By the year 2000, USAID plans to withdraw from Brazil and discontinue donating contraceptive commodities to the NGO and public sectors.

The Model

CEPEO was established in 1994 as a new, wholly-owned Brazilian subsidiary of PROFIT's Summa Foundation. CEPEO is a commercial distribution company that sells high-quality and low-priced contraceptives to all sectors. It is seen as a safety net for ensuring the continued supply of quality and affordable contraceptives to the public and NGO sectors that were previously supplied by Pathfinder in Brazil.

Approximately US\$544,000 of the total US\$700,000 committed by PROFIT has been invested to date to cover expenses and complement working capital needs. The company began selling contraceptives in March 1995 mostly to former clients of Pathfinder and to the public sector. CEPEO's marketing is carried out with the Social Marketing for Change Project (SOMARC) support for US\$448,000 of which about 30 percent has been spent. CEPEO has been successful in distributing less expensive intrauterine devices (IUDs) sourced from U.S. manufacturers, and the competition is growing in Brazil from distributors importing less-expensive IUDs from other countries. The company has grown in operations, and it sold 76,000 IUDs in early 1996. It had revenues of US\$470,000 in 1995 (somewhat above projections) and a cash break-even by the end of 1995.

For CEPEO to be sustainable, it must grow in size and diversify its products and services. This is not easy since oral and injectable contraceptives are already manufactured and

marketed in Brazil.⁶ (See Appendix D for further discussion.)

Lesson Learned

Subprojects that are commercially-based ventures should have the latitude to pursue business opportunities (e.g., adding new products) that enhance their sustainability and are consistent with the original subproject goals.

(2) India — Community-based Social Marketing (grant of US\$189,000)

The Model

With operations initiated only recently in March 1996, this new subproject in Madras, Tamil Nadu, will distribute condoms and sanitary napkins through a "Club" to be established by PROFIT's partners: International Family Health (IFH) and AIDS Research Foundation of India (ARFI). IFH is a British NGO with extensive experience in family planning and AIDS. IFH developed the community-based social marketing (CBSM) approach and will be responsible for overall implementation of this subproject. ARFI is a local AIDS-oriented NGO with experience in generating community and corporate support. ARFI will have the primary responsibility for communications/training materials and programs.

The new Club will enroll and train private sellers as part of a multi-level marketing system (approved members may recruit other sellers). The formal subproject objectives are to promote condom use and provide information on reproductive health. Sterilization has been the predominant method of modern contraception in India. The use of modern temporary methods (condoms, pills, and IUDs) has been very low (reportedly less than 6 percent in 1992-93). This subproject is an experimental effort to increase the use of condoms and determine if IFH can develop a profitable operation of marketing reproductive and sexual health products and information. Additional health products might be included at a later phase of the program.

The total subproject budget is about US\$1,059,000. The PROFIT contractor is investing US\$189,000, while US\$296,000 is from IFH/other donors, and US\$466,000 is from the Overseas Development Administration (ODA), U.K. An additional US\$107,000 is expected from project revenues (primarily from sales of sanitary napkins). Most resources are thus from foreign donors rather than local resources. It is too early to

⁶According to the USAID CTO, the significant lesson to be learned from this experience is that it does not make sense to try to create a new business venture in a very competitive marketplace. It would make more sense to try to orchestrate the activities of existing commercial entities, in order to achieve the programmatic objectives.

report lessons learned or evaluate the effectiveness of this subproject on community-based social marketing or even to say whether the work in India represents a promising model.

The PROFIT contractor has two other "pending" subprojects for India, but PROFIT has shifted to a primary role of providing technical assistance for two other major USAID projects: 1) Innovations in Family Planning Services Project (US\$300 million for 10 years for Uttar Pradesh) and 2) Program for Advancement of Commercial Technology/Child and Reproductive Health (US\$20 million).⁷

(3) Romania — Private Sector Contraceptives Expansion (technical assistance — US\$1.1 million)

In October 1995, PROFIT received a US\$1.1 million buy-in from USAID/Romania to develop a subproject based on its positive market assessment of a year earlier. Its aim is to increase the opportunities for Romanian women to improve their knowledge of and confidence in modern contraceptive methods, and to meet anticipated demand through convenient access to non-clinical methods through the private sector. The 1993 Romania Health Survey (RHS) showed that women primarily achieve their low parity (a total fertility rate of 1.4) through traditional methods and a high rate of abortion; there are about 2.5 abortions for every birth. Prevalence of modern contraceptive use is low (14 percent) and is attributed to fear of side effects, plus 20 years of unavailability of contraceptives under the Ceausescu government.

The Model

The PROFIT subproject aims to increase both the acceptability of modern methods and their widespread availability at reasonable cost through private-sector pharmacies. The plan is strategic and gives promise of an interesting model. In spite of universal awareness of modern contraceptives, women have little knowledge of their mechanisms of action, advantages and drawbacks, health safety records, or effectiveness. On the contrary, there are many rumors about their negative health consequences and side effects. Thus, based on the RHS and PROFIT's own consumer research, a multifaceted mass media campaign will give accurate information on modern methods and where to obtain them, with emphasis on the non-clinical methods that are widely available at reasonable cost through pharmacies. At the same time, based on findings from PROFIT's survey of a representative sample of 600 pharmacists throughout the country, training will be provided to pharmacists in 1) business practices, 2) contraceptive logistics, 3) FP and other RH information, and 4) FP/RH counseling, screening, and referrals. There will be a reciprocal referral system between the pharmacies—likely through vouchers or coupons and Sex Education and Counseling Services, an NGO backstopped by the Centre for

⁷See footnotes 10 and 11 on page 34 for a discussion of these subprojects.

Development and Population Activities (CEDPA) which offers FP, breast cancer screening, and STD/HIV prevention counseling. Private physicians who had been trained earlier by the Program for Appropriate Technology in Health (PATH) and the United Nations Children's Fund (UNICEF) will also be included in the referral system. FP materials pretested with consumers (possibly including an audiocassette) will be displayed at the pharmacies and distributed to customers. This will increase both correct use of contraceptives and overall public information as materials are shared.

This is a creative venture because it genuinely "jump starts" the private sector to offer contraceptives at market prices (i.e., not subsidized), helps build demand through mass media, and trains pharmacists to offer high-quality products and information and referral services. Its client-centered approach is consistent with both ICPD and private-sector principles, ensuring repeat business and good word-of-mouth advertising. There is no reason why the project should not become self-sustaining through the forces of supply and demand. This will be a worthwhile case study to document and disseminate, but at present there are no lessons learned.

Conclusions on Distributing and Marketing of Contraceptives: PROFIT has a few interesting models in the making in both distribution and marketing of commodities. Given the profitability of contraceptive manufacturers and their controlled distribution of commodities, coupled with USAID's centralized bulk procurement of commodities, the opportunities for profitable business operations are generally in distribution and marketing of commodities. These opportunities are based on an increase in volume and the efficiencies that can accrue to a distributor who is marketing a variety of products and services. Such opportunities will be present as long as there are some inefficiencies in the marketing of contraceptives.

Any effort to set up commercial distribution companies must be coordinated with USAID's strategy in that country. Prerequisites for a viable enterprise are that USAID and other donors (e.g., UNFPA) are phasing out the supply of commodities and are emphasizing local sustainability. Similarly, there are opportunities for marketing of contraceptive supplies, and although it is premature to conclude whether PROFIT's subprojects in this area will be useful models, the endeavors look promising.

2.3.2 Local Manufacturing of Contraceptives

None of the 14 subprojects that PROFIT developed in developing countries in this sector became active because PROFIT's analysis showed that these were not viable financial deals or they were not feasible for other reasons. Following a 1993 contract amendment, one investment subproject for contraceptive technology development with a U.S.-based company became active. PROFIT's experience in promoting local production of contraceptives suggests that this is not a viable sector for expanding commercial involvement. The project's assessment is that where markets are large enough, pharmaceutical companies are capable of setting up a manufacturing presence without

additional, PROFIT-type interventions. Where markets are controlled or influenced by governments, efforts to persuade the commercial sector to enter are difficult. Other reasons cited are that donor-supplied commodities render markets not viable for local manufacturing and that some promising products (e.g., Cyclofem) did not have the Food and Drug Administration's (FDA) approval and could not be pursued with USAID funding.

Several people interviewed by the evaluation team stated that there are local manufacturing opportunities that PROFIT-type financing could stimulate or jump start. USAID has worked with other groups such as PATH to assess local manufacturing ventures in selected countries. Apparently, the countries and opportunities for local production must be selected very carefully, and this requires a good understanding of and experience in the field of contraceptive manufacturing. PROFIT's expertise in assessing the financial and business aspects (including marketing projections) was necessary and highly valued by many USAID Missions to avoid funding poor ventures, but apparently not sufficient to identify ventures worth pursuing.⁸

United States — Worldwide Contraceptive Development.

This subproject finances research, development, and marketing of new contraceptive technologies (particularly long-term, reversible methods) in order to increase access to affordable contraception. PROFIT is providing a US\$2.5 million loan to a partner⁹ at commercial rates. In the loan agreement, the partner has agreed to make all developed products available to public sector and nonprofit organizations in the U.S. and developing countries at reduced prices.

This subproject did not fit in PROFIT's original scope of work. USAID amended the contract to access the investment vehicle of the Summa Foundation for contraceptive technology development. This arrangement was useful, practical, and convenient from the viewpoint of both PROFIT and USAID since USAID needed to fund the development of affordable contraception. A final worthy and important justification was that by investing rather than granting funds in the U.S. company, Summa, and therefore USAID, would be able to recover the principal, get a return on the investment from interest charged, and earn additional monies from an "equity kicker." It is expected that the principal on the loan will be returned and that US\$800,000 will be earned in interest. It is too soon to determine whether the equity kicker will be realized—the equity kicker depends on the manufacturing going public and the stock price being sufficiently valued as to yield another return.

⁸The USAID CTO notes that, in general, opportunities for contraceptive manufacturing are limited and difficult. For example, PATH has lent only US\$5 million since 1981, and has recently moved away from lending exclusively in the manufacturing sector because of the limited opportunities therein.

⁹Given the proprietary nature of contraceptive development by private companies, the name of the partner has been withheld.

Conclusions on Local Manufacturing of Contraceptives: PROFIT's efforts in local production of contraceptives did not produce any active projects. PROFIT is given the benefit of the doubt (since the evaluation team did not analyze their portfolio in this sector) that its staff was wise to choose not to invest in the 14 potential subprojects. While PROFIT staff had the expertise to assess the financial and business viability of a number of local manufacturing opportunities, other groups with expertise in technology transfer and production engineering in specific local settings believe that opportunities do exist for local production.

Opportunities for local production raise the larger issue of USAID's role in subsidizing contraceptive commodities. Historically, there is great merit to USAID's role in assuring the supply of free or subsidized contraceptive commodities to meet the needs of developing countries, particularly among the poorest segments of these populations. However, there is evidence that international donor assistance that provides free or subsidized contraceptives discourages local commercial manufacturing and marketing endeavors. Given the push for sustainability, it may be an appropriate time for USAID to reexamine its overall strategy for contraceptive supply—not just in isolated cases such as Brazil and Zimbabwe.

2.3.3 Trade Barriers and Regulatory Reform

No subprojects were generated in this sector. As the project was getting started, USAID advised that the Options for Population Policy Project (OPTIONS) had covered this area; more recently, the PROFIT staff were advised that they could look at trade barriers and regulatory reform. In fact, most of PROFIT's country assessments did review such issues. Generally, the project's strategy was to choose potential subprojects that did not depend on changing the barriers or reforming the in-country regulations. Given the lengthy time it took to develop subprojects, this was a wise decision. In the future, as local markets open up for production and distribution of contraceptive commodities, there will be a need to deal with trade barrier and other regulatory issues.

The evaluation team sees trade barriers and regulatory reform as one component of the overall policy environment in developing countries. Assuming that the commercial sector is still seen as playing an important and ever increasing role in meeting future service delivery needs and that concomitantly governments will be promoting increased privatization (in some cases spurred by economic structural adjustment programs), any future USAID endeavor to promote the commercial sector's involvement must address the broader policy realm. Such work ought to be part and parcel of a future project work scope (perhaps handled through subcontracting arrangements) and not delegated to a separate policy project.

Conclusion on Trade Barriers and Regulatory Reform: Trade barriers and regulatory reform are a component of the overall policy environment in developing countries. It is unrealistic to expect USAID projects alone to have any impact on such reform issues, but these issues can be addressed systematically through joint donor and host country dialogue. Specific USAID projects

can play a role in such efforts by providing thorough assessments of the problems and offering options for resolving them.

2.3.4 Provision or Financing of Family Planning Service Delivery through Private Sector Providers

The PROFIT staff devoted the greatest effort to initiatives in this sector. Of 40 developed subprojects, seven became active, although one of these ended prematurely. Of six currently active projects, five are investments and one is technical assistance. The investments include a joint venture with an HMO, loan funds for midwives and doctors, loans to private health providers/insurance companies, and technical assistance for a package of private sector initiatives.

(1) Brazil — UNIMED Maceio (investment of US\$1,022,000)

The Model

In early 1993, PROFIT formed a joint venture with Brazil's largest HMO to establish a maternal and child health (MCH) clinic in a hospital in the northeast region. The company provides complete medical services to 32,000 enrollees through the private offices of member physicians. Diagnostic and inpatient services are provided through third parties or its own facilities. There has been a two-year delay in implementation due to family planning/MCH not being a top priority at UNIMED, internal financial matters at this organization, and project goal redefinition. PROFIT provided extensive technical assistance, invested US\$1,022,000 of the US\$1,078,000 committed, and the clinic opened in September 1995.

The volume of family planning clients was low, with only 20 percent of 150 patients seen monthly receiving family planning services. In March 1995 an external evaluation of the USAID/Brazil population strategy recommended that PROFIT exit from this investment. To date, there are ongoing discussions between the Summa Foundation and UNIMED for a repayment of the investment with a prospect of full recovery and eventual gain. It appears that this is an interesting example where basic differences in partner objectives contributed to a parting of ways. Nevertheless, good project diligence and contracting by PROFIT will enable full recovery of the investment. The evaluation team supports PROFIT's continued efforts to ensure recovery of funds as soon as possible.

Lessons Learned

1. Subprojects must address the real needs of unserved groups or populations who are being served by the public sector and are able to pay for services and not simply provide funds to for-profit groups so they can improve services to already

served middle and upper classes.

2. Developing subprojects with for-profit groups requires good "due diligence" analysis of who the groups are and whether they share common goals with the funding source.
3. Careful monitoring of risky subprojects with for-profit groups is important as well as having a mechanism for terminating subprojects that go astray from their original purpose and no longer serve the intended beneficiaries or objectives.

(2) Indonesia — Midwives Loan Fund (investment of US\$500,000)

During the 1990s, Indonesia has been politically stable and has experienced good economic growth. The Government of Indonesia (GOI) continues to provide strong leadership in family planning, and contraceptive prevalence has reached 50 percent. Private sector participation in family planning grew from 12 to 28 percent between 1992 and 1995 with the goal of 50 percent by 2005. Strategies for greater private sector involvement include an increased role for multinational corporations, local manufacture of a wide variety of contraceptives, distribution of contraceptives through *apotiks* (pharmacies) and government health posts, and the provision of family planning services through midwives.

A key GOI strategy has been to employ and train new midwives in large numbers to provide FP/MCH. Having at least one midwife in every village is the approach to providing health services in all areas of the country. In 1991 the Ministry of Population/National Family Planning Coordinating Board (BKKBN) launched a crash training program to increase the number of village midwives (*bidan di desa*) from 10,000 to 66,000. Midwives were trained for three years and after graduation, they received a three-year work contract with the Ministry of Health to work in their village health posts. Many of the more experienced government midwives also have their own private clinics where they serve clients in the afternoons, evenings, and weekends.

The GOI has also made important changes in health sector laws: the national Health Law No. 23 and the Workers Security Law No. 3. These require private employers to provide a basic "menu" of health services (including family planning) to workers and their families. These laws laid the groundwork for HMOs and wider participation of insurance companies in the organization of demand for health services in the future. USAID has also been quite active by supporting the GOI initiative through the Family Planning Private Sector Project (US\$35 million, ending in 1995) as well as a five-year, US\$50 million project with Pathfinder International started in 1995.

PROFIT's 1992 country assessment identified several opportunities of which four were developed, and two became active subprojects. One of these, P.T. Bonnys, was implemented in 1993 (involving investments of US\$650,000) but was discontinued due to the company's financial problems. The loan was repaid in 1995.

The Model

The Midwives Loan Fund (the second PROFIT subproject in Indonesia) was launched in March 1995 to establish or expand the private practice of midwives. Through the subproject, midwives have received business training as well as loans. Two tranches of funds (each for US\$250,000) have been disbursed through the GOI Bank Rakyat Indonesia (BRI), the largest microenterprise financial institution in the country. BRI put up an equal amount of matching funds. PROFIT employed an in-country project advisor to oversee implementation.

In developing the subproject, PROFIT supported market research to ascertain midwives' willingness to take on loans. The survey revealed that the midwives were not amenable to borrowing money. As work progressed with the Indonesian Midwives Association (IBI) in setting up the loan fund, the midwives' interest changed. To sell the program, IBI's central office promoted the collaboration of the IBI chapters, and BKKBN displayed its enthusiasm. The more experienced and established midwives thus came to see the program as an opportunity to improve their practices.

The choice of the local financial institution was another key ingredient of this subproject. Initially, a private bank had been targeted, however it did not have the necessary rural outreach and national geographic coverage. Thanks to the influence of BKKBN, BRI was enrolled in the program because of its knowledge of small-loan programs. Although the midwives loan fund was very small for a financial institution as large as BRI and the interest paid by the borrower was half the going commercial rate, an interesting feature was the ratio of 1:1 capital contribution of PROFIT to BRI with the bank getting all the interest (thus making the rate competitive for BRI). Another attractive feature for BRI was the countervailing requirement of a savings deposit for midwife borrowers.

An important feature of the loan fund is the ease of access represented by the acceptance of soft guarantees. The "hard" assets guaranteeing the loan are the assets purchased by the midwives with the money from the loans (e.g., beds, birth tables, supply cabinets). Midwives also purchased "soft" assets such as medicines and family planning supplies. Adding to the bank's comfort as a credit institution was the fact that the loan repayments were deducted directly from GOI midwives' salaries since BRI is also the GOI's payroll agent. Finally, the loans were provided largely to experienced midwives with established practices, and the monthly repayment installment was equivalent to the midwives' revenues from one to two births monthly.

Results

So far about 370 midwives have borrowed a total of US\$850,000. Most loans have been for the maximum amount of US\$2,200. Only about 10 percent of the borrowers are village midwives (*bidan di desa.*) Demand is very high for continuing and expanding the program, and there is a waiting list of interested borrowers. A group of about 20 trainers have received business training skills, and overall borrowers have received a little business training of up to six hours. There is a small balance of repayments at BRI which is starting to recirculate. Only one repayment was late by a month, and so far there are no defaults.

Lessons Learned

1. Characteristics of successful subprojects with the private sector are shared goals between the recipient and USAID, strong and enlightened public sector support, and a continuing relationship with key actors in the public sector.

2. Loans for projects with private sector health providers who offer an array of services including family planning are more likely to be successful than those supporting only family planning.
 3. Pilot testing of new financing schemes (such as a loan fund) helps to determine its feasibility and success before expanding the scale of activities.
- (3) Philippines — Physicians Loan Fund (investment of US\$300,000)

The Model

The Physicians Loan Fund is one of two active subprojects developed by PROFIT in the Philippines. According to resident PROFIT staff, the Loan Fund was initiated with the strong encouragement of the former USAID Mission Population, Health, and Nutrition (PHN) staff. While an alternative loan project for midwives was discussed, the idea was dropped because the midwives were perceived as being less "bankable" than physicians. The original concept paper for the subproject was completed in June 1993 and an investment document was approved in November 1994. The subproject began operations in March 1995 with a three-year loan of US\$300,000 administered by the Bankers Association of the Philippines Credit Guaranty Corporation (BCGC).

The subproject's goals were to help newer doctors to establish and expand their provision of services in health and family planning. As a new organization, BCGC goal was to explore the potential market for smaller loans among professional groups like doctors. The Physicians Loan Fund also apparently helps BAP members meet the government requirement that stipulates that about 20 percent of their portfolio be invested in microenterprise loans. The original plan was to operate the fund in three cities, but the BCGC decided to focus in Manila during the start-up period.

The loan agreement assumed a default rate of 5 percent, compared to the BCGC existing rate of about 3.5 percent. The BCGC receives a management fee of 7 percent (5 percent of the total fund [balance plus receivables] and 2 percent for good performance). Good performance entails a default rate of less than 5 percent and continuous disbursement of loans at the rates projected. The interest rates charged by the Physicians Loan Fund are around the prime rate (16 percent in May 1996) so they are quite attractive.

In addition to the loan, PROFIT is also providing grants of: a) US\$134,000 for training physician-borrowers in health/family planning and business methods, and b) US\$30,000 for marketing and promotion of the program. The goal was to reach 100 doctors at the end of three years. Business training as well as health and family planning training have been provided. Short training sessions are given on weekends, because the doctors said they could not take time off from their practice during the week. PROFIT staff have been

actively involved in all aspects of the training design and implementation.

Results

1. **Low loan levels:** The loan program has produced lower than planned levels of coverage and disbursements. It achieved only 55 percent of its first-year enrollment targets, and by May 1996, only 31 loans had been approved with releases of funds in 23 cases. Other releases were awaiting submission of needed business plans or other documentation. There have been only two delinquent payment problems, but these are being resolved by BCGC without resort to legal suits. Loans usually range from US\$4,000-US\$8,000 and are generally used for acquiring facilities, supplies, and equipment. Loans tend to be smaller for newer physicians. Any applicant over 38 years of age must receive special approval from the PROFIT staff. About 80 percent of the borrowers are reportedly age 38 or under.
2. **Limited program impact:** The loan program covers too few borrowers to have a very significant impact on family health or family planning. If the BCGC continues such operations beyond 1996, it may eventually have a significant impact on the provision of health services. However, the number of borrowers must increase at a faster rate than it has under the PROFIT subproject. It is doubtful that the BCGC or other commercial financial organizations will be very concerned about requiring future doctor-borrowers to supplement or update their training in health or family planning (as is done under the PROFIT subproject).
3. **Expansion of commercial loan operations to health and other professionals:** The Physicians Loan Fund experience has encouraged the BCGC to expand beyond the usual small business borrowers to cover health professionals. This could lead to improvement in the quality of health services and facilities available to private sector clients. However, the subproject has probably had little impact on expanding services to underserved groups or in financing lower-income health providers. Most of the physicians involved are from relatively affluent families, so they probably could have obtained credit from other sources. The BCGC sees the physicians as good credit risks because of their earning potential and because of their fear of any litigation that could damage their professional reputation. While the BCGC will probably continue/expand operations to reach doctors and dentists, they are not interested in reaching nurses or midwives because the nurses and midwives are seen as being less "bankable".

This subproject also persuaded BCGC to simplify small loan processes and to provide more personalized loan services. The BCGC customer service staff said that more care and patience were needed to deal with the doctors, compared to regular business clients. Because many of the physicians saw the loans as a

privilege or right, they expected the Loan Fund staff to approach them and complete the necessary documentation for them. The BCGC staff also reported that marketing the Loan program through the medical associations was not effective since the associations had little influence over their members. Consequently, the BCGC staff started working with medical equipment suppliers to identify potential borrowers.

Lessons Learned

1. Project designs for USAID-funded PHN loan funds need to clearly define the linkages between the use of the loan funds and improved PHN outputs (and any expected impact on local or national PHN improvement measures).

The Philippine lending agency may continue a Physician Loan Fund beyond 1996 with non-USAID funding, but the provision of family planning services is of much less interest to the lenders than the creditworthiness of the borrower.

2. A significant factor affecting family planning utilization patterns is economic: the Philippine government and nonprofit organizations provide free or highly subsidized services. Thus most low- or middle-income groups are not likely to seek family planning services from private physicians. Providing loan funds as an incentive for expanding the role of private physicians is unlikely to have a significant impact on family planning usage in such situations. This is particularly true when the physician loan project covers a very small number of borrowers (as is the case in the Philippines).
3. PROFIT's survey of physicians in the Philippines suggested that family planning training for borrowers was an important enabling link, so this was built into the loan project. Other feedback suggests that training is a necessary but not sufficient cause for significantly increasing the number of clients seeking family planning services from private physicians.
4. Lending organizations that expand to serve medical professionals may need to develop different marketing and customer service strategies (as contrasted to dealing with "regular" commercial borrowers). For example, the Philippine lender had to be more proactive and provide more personalized loan application and processing services since these were expected by the physician clients (who felt that the lender should approach them rather than vice versa). The lender also reported that Philippine medical societies were not effective channels for contacting potential borrowers because of their limited interactions with their doctor members. Consequently, marketing efforts were successfully redirected to use medical equipment sales organizations (which also had an interest in helping physicians finance purchases from their companies). However, the Philippine loan marketing experience needs to be contrasted with that of the Indonesia Midwives Loan Fund, where marketing is done through the local chapters of the national midwifery

association.

(4) Philippines — Low Cost Health Care Plan (investment and grant of US\$247,000)

The Model

In May 1994, PROFIT provided an interest-free, three-year loan of US\$150,000 to PhilamCare Health Systems, Inc., to encourage the expansion of HMO services ("HealthSaver") to low-income clients in the cities of Manila and Cebu. (PhilamCare is a component of PhilamLife, Inc., which is a subsidiary of the American International Group.) The original concept for this plan has its roots in a study carried out under the Enterprise Project. The subproject's objectives are the following:

- Increase access to health care for low-income families in the informal sector (most Philippine HMO plans cover only formal employee groups),
- Develop a sustainable health system through a managed care mechanism using capitation payments to the participating hospital, and
- Add family planning services (which are often excluded from Philippine HMO plans).

The PhilamCare organization saw the "HealthSaver" subproject as an opportunity to expand from middle and upper income markets (which were becoming "saturated") to lower income clients. PhilamCare had about 100,000 clients enrolled in its other HMO plans (which are more expensive and provide more benefits than HealthSaver.) It was also assumed that as the Philippine economy improved, HealthSaver enrollees would move on to higher cost plans with PhilamCare. Planning estimates showed losses totaling about US\$150,000 for Years 1-3, and a positive income flow beginning in Year 4. The PhilamCare Board of Directors refused to participate in the HealthSaver Plan until the PROFIT contractor offered to help underwrite initial losses. Therefore, during Years 1-3, PROFIT and PhilamCare will share losses **above projected levels** on a 50-50 basis, while any profits will be used to repay the US\$150,000 loan.

In addition to the loan, PROFIT is also providing grant funding of about US\$100,000: (a) US\$35,000 for technical assistance (TA) and local training of care providers in managed care techniques and in various areas of health and family planning. (A 1995 PROFIT/SOMARC survey of service providers suggested that many viewed additional training as an important step to expanding their counseling and services in family planning.) (b) US\$65,000 for surveys of providers/consumers and subproject evaluation studies by DRTI Consultancy (Phils), Inc. (the local arm of Deloitte Touche Tohmatsu). Baseline data have been collected by this firm.

Results

The actual first-year enrollment level of 1,300 turned out to be considerably lower than even the "pessimistic" scenario of 6,000 projected in PROFIT's background study. PhilamCare's president told the PROFIT evaluation team that the company had been too optimistic in projecting enrollments in the informal sector and that more efforts were being devoted to recruiting on a group basis. He estimated that a minimum of 5,000 continuing members would be needed by December 31, 1996, if PhilamCare were to continue the HealthSaver plan. This may be a difficult task given the difficulties of recruiting and retaining clients from Tondo, a slum area with some of the lowest income levels in Manila. Recruiting clients outside of Tondo will also be difficult since many people may be reluctant to travel there to use the HealthSaver plan hospital, Mary Johnston.

Lessons Learned

1. USAID loans for risk sharing can provide the critical catalyst needed to stimulate local private investment in new efforts to offer lower cost health insurance and services. Moreover, in the Philippines, if Philamcare, Inc., continues the Low-Cost Health Plan beyond 1996, other private insurers are likely to move into this area and increase options for lower and middle income health consumers. Thus, USAID will have effectively used a small investment to trigger significant action by the private sector.
 2. Hospitals participating in a "managed care" effort can increase their financial position without producing a desired shift from curative to preventive client services. (The preliminary PROFIT evaluation report covers participation in the Low-Cost Health Plan by two hospitals in Cebu. These hospitals increased net revenues, but care-giving patterns did not significantly change.) In short, the program design may need to include specific interventions to stimulate greater use of preventive services by health plan participants.
 3. When adding new insurance/HMO schemes to existing programs, it may be important to create a special project staff, rather than rely only on existing company or hospital staffs to change service delivery systems or recruit the new clients needed to make the schemes profitable. (The PROFIT staff thus persuaded Philamcare, Inc., to hire a project manager for the Low-Cost Health Plan to better address such emerging issues as lagging recruitment or customer complaints and dropouts.)
- (5) Kenya — Africa Air Rescue (AAR) Health Services (investment of US\$414,000 and training)

Initially USAID/Kenya was not interested in PROFIT's assistance because of an existing bilateral project, Health Care Financing Project (HCFP), as well as the presence of 21 Cooperating

Agencies active in Kenya. By 1993, when it was clear that work with the Ministry of Health (MOH) on health care financing was not leading to any near-term changes in the public health insurance or services, USAID invited PROFIT staff to Kenya. If the Health Care Financing Project had worked out well, PROFIT would probably never have been invited to work in Kenya.

One enabling factor for PROFIT's approach in Kenya is a growing recognition that the MOH cannot provide the health services required to meet the needs in Kenya. Hence various factors (including structural adjustment) are leading to greater interest and a role for the private, for-profit sector. Some see the future role for the Government of Kenya (GOK) as a regulator of health services, but that the public sector should get out of the business of providing services.

PROFIT spent considerable time identifying ideas and developing subprojects in Kenya. Among USAID Mission staff, there were mixed feelings about PROFIT's investment bankers. Some were enthused about the new approaches and skills used to identify potential partners and make deals. Others were put off by the overly confident, business approach. Two of three proposed subprojects were rejected by USAID for different but understandable reasons. Thanks to excellent collaboration between PROFIT staff and HCFP staff resident in Kenya, a very promising model for the provision of health care is developing through the Africa Air Rescue (AAR) Health Services.

The initial PROFIT proposal to work with AAR involved establishing a pilot managed-care plan at Sulmac, a flower growing plantation in the Lake Naivasha region. Due to bad publicity from a televised BBC special on worker exploitation at the plantation, Sulmac's senior management felt they could not go forward with the AAR proposal. The proposed concept of moving Sulmac out of the health provision business (so they could focus on their primary business of flower growing) was and still is germane. The beauty of the pilot plan was that it could have easily been expanded to the worker population in the entire Lake region and not just workers of the Sulmac company.

The Model

AAR Health Services is the closest thing to a health maintenance organization in Kenya. Due to the combined efforts of PROFIT and resident HCFP staff, AAR agreed to incorporate family planning into its package of health services and to start delivering services in a challenging location (Nairobi's industrial area where only 12 percent of employers were providing family planning to their employees.) AAR received a US\$414,000 loan through PROFIT at a concessionary rate of 13 percent and reasonable payback terms. The loan enabled AAR to open a new medical center in the industrial area and to embark for the first time on an outreach program (three outreach centers staffed by health providers, but not MDs) that will deliver health services where people live.

Prior to the PROFIT loan, AAR was only involved in curative services for an elite, white-collar population provided through pre-payment plans with employers. Now it has moved

into preventive care, family planning, immunization, AIDS counseling, and health education. Based on the appearance of the new medical center, it seems to be an efficient, clean operation. The key concept in AAR's expanded program is to deliver an "appropriate" quality of care at the lowest cost. This is the meaning of managed care for AAR. It needed soft capital as an incentive, which PROFIT provided. It is an excellent marriage between a for-profit health provider and USAID money through PROFIT.

The AAR's motivation for entering into this arrangement included its desire and/or ability to do the following:

- Continue to make a profit,
- Expand membership to a wider segment of the population (membership had been growing dramatically to over 9,000 members),
- Add family planning since this made good sense from a preventive health care point of view,
- Get capital at reasonable rates (current interest rates in Kenya are about 30%),
- Draw on a package of technical assistance: AAR and PROFIT are splitting 50/50 the costs of technical assistance that AVSC and the bilateral Family Planning Private Sector Project (FPPS) are providing—both groups are being paid for the assistance.

Other reasons why AAR got involved include the benefit of being associated with a major bilateral donor such as USAID and the involvement of two key professionals from PROFIT and HCFP, both of whom knew their area of expertise very well. PROFIT's Due Diligence report and the Investment Document were excellent analyses and an important part of the process, even though they required major efforts to prepare. Further, AAR staff felt that its organization was benefitting from the work on the monitoring and evaluation system stimulated by PROFIT staff.

Results

According to USAID staff, two measures of success are being used to evaluate the AAR model: 1) whether a package of preventive health services including family planning is established, and 2) whether AAR continues to show profitability with new services. There are as yet no data on AAR services to show progress, let alone impact. Implementation has been slower than planned partly because of the difficulty in getting and equipping appropriate facilities for the outreach clinics and also because of the need to revamp AAR's marketing strategies. Assuming the subproject succeeds, it will be a model for other commercial health providers.

Thanks to the efforts of the resident HCFP staff, the AAR concept and the PROFIT subproject model (albeit, perhaps prematurely) are already being marketed. Representatives from various countries in eastern and southern Africa attended a regional workshop on health insurance held this spring in Nairobi and they visited AAR.

Assuming the AAR model is successful, USAID/Kenya will do follow-up replication through the new bilateral project, AIDS, Population and Health Integrated Assistance (APIA). This will be a large umbrella project for sectoral support replacing HCFP, SOMARC, and FPPS. It was designed at US\$100 million, and USAID/W cut the budget to US\$60 million.

Lessons Learned

1. An objective for PROFIT-type subprojects in an HMO context is to develop models with a full range of health services that are self-sustaining.
 2. The combination of a professional deal maker and an on-the-ground partner who knew the local setting (public sector service delivery and health financing in Kenya) was critical. In addition, PROFIT's ability to evaluate the technical, operational, and health financing aspects of the proposed subproject and to design collaboratively an appropriate structure to implement the subproject were key.
 3. An active private health infrastructure with providers and/or insurers and a middle class able to pay for services are key factors for infusing FP/RH into a health service delivery system and aiding its transformation into an HMO.
 4. Access to capital is important as well as good management and administrative capacity and technical assistance.
 5. Some USAID Mission staff are not accustomed to dealing with Cooperating Agency staff with primary expertise in finance and business. For PROFIT-types of endeavors to be successful in the future, USAID staff will need training to better appreciate how to draw on investment and business approaches to expand private sector options for health service delivery.
- (6) Zimbabwe — Private Sector Initiative (technical assistance — US\$1.1 million buy-in from USAID/Zimbabwe)

PROFIT had no control over the factors that prevented subproject development in Zimbabwe prior to 1995. A combination of local economic constraints and USAID Mission priorities led to little activity by anyone in implementing the private sector financing initiatives that had been

proposed in the 1990 USAID bilateral family planning project. Not until 1995 did the USAID Mission decide to develop and fund a set of activities in this area. The PROFIT staff was chosen to implement the work because they had earlier contact with USAID (at the Mission's request, PROFIT had carried out a feasibility study of condom manufacturing in 1993) and the project's mandate.

In 1995, USAID/Zimbabwe signed a US\$1.1 million buy-in to the PROFIT project for the Private Sector Initiatives subproject. A first activity was an assessment of family planning in the private sector (Adamchak, 1996) which provided a good basis for PROFIT's activities. The assessment was presented at a workshop on Private Sector Family Planning in January 1996 and attended by key representatives of the private health sector as well as the Zimbabwe National Family Planning Council (ZNFPC) and MOH. Participants identified possible interventions for expanding family planning through nurses and midwives, doctors, pharmacists, work-based programs, and medical aid.

The Model

PROFIT developed an implementation and evaluation plan for a series of activities based on the strategy of expanding the network of private sector providers for family planning and increasing awareness and use of those services by potential consumers. The implementation plan has nine elements:

1. **Pharmacy Initiative:** to increase the supply of affordable contraceptives to consumers by private pharmacies and to test a model for expanding pharmacy-based family planning information, counseling, and services.
2. **Medical Aid Initiative:** to increase awareness and use of family planning benefits by members.
3. **Work-based Initiative:** to improve and/or expand family planning services available through work-based health clinics and to increase use of those services.
4. **Doctors' Initiative:** to increase the number of doctors providing a wider range of family planning services.
5. **Nurses-Midwives Initiative:** to establish nurses and midwives as private providers of family planning.
6. **Commodities Initiative:** to increase and improve the reliability of supply of affordable contraceptives through private sector channels.
7. **Consumers Initiative:** to educate and motivate consumers to seek family planning from private providers.
8. **Public/private Collaboration:** to establish and maintain regular communication among private and public sector groups involved in the above initiatives.
9. **Dissemination:** to ensure good dissemination of subproject activities and results among key constituent groups.

Given the short duration of the proposed subproject (it will end in September 1997 when

the central PROFIT project terminates), PROFIT staff and USAID are hopeful that some of these initiatives will yield promising results that can be continued through some other mechanism.

PROFIT's subproject in Zimbabwe has several strengths: local subproject staff is enthusiastic and capable and have good links to the private sector. A subproject Coordinating Committee has been formed with representatives from the key provider groups. Committee members have good potential for facilitating the implementation of the subproject activities if their expertise is drawn on appropriately and they are given clear guidance on how they can help and if they are kept well-informed of the subproject's work. There is a small cadre of experts who have been involved in analyzing the role of the private sector, both Zimbabwean and expatriate, who can and will presumably help with implementation. USAID's population officer is very supportive of this endeavor.

As PROFIT and USAID/Zimbabwe staff are fully aware, the weaknesses of the subproject plan are that the set of activities is very wide-ranging and that the time frame is very short. The level of proposed activity varies by initiative, so some parts will actually receive very little attention. It may be that by August 1996, PROFIT staff may already be able to decide if they should narrow the focus of their activities. Given the short time frame remaining for the subproject, both PROFIT staff and USAID are very mindful of the need to consider potential follow-up mechanisms. Three possibilities are the following: 1) a subsequent central PROFIT project, 2) a locally bid RFP (somehow keeping the same subproject staff assuming that they do well over the next 16 months), and 3) tacking on the private sector activities to another CA's work such as the Family Planning Services Expansion and Technical Support (SEATS) Project.

PROFIT's subproject in Zimbabwe will be worth watching since it is testing various private sector channels simultaneously. The subproject is well grounded in the USAID bilateral project, and this may be an important prerequisite for future work in USAID countries with bilateral programs.

Lessons Learned

1. The opportunities for CAs to provide assistance often depend on a combination of the appropriate and favorable host-country and USAID Mission factors. Previous project or staff contacts with USAID Missions can be vital to getting the go-ahead to work in a country. Also discrete assignments (such as the feasibility of condom manufacturing) help to establish contacts and credibility and can lead to future subproject development.
2. Opportunities to carry out an array of private sector interventions aimed at increasing the role of the private, for-profit sector are very limited and may depend on the extent to which promoting private sector endeavors are grounded in overall

objectives of USAID Missions.

Conclusions on Private Sector Providers: PROFIT's efforts in this strategy area produced most of the promising models and also important lessons from subprojects that are not deemed successful. The three promising models (midwives loan fund, low-cost health care plan, and an HMO in the making) are all organizing providers to give services to lower income groups. PROFIT's approach in each subproject combines financing loans at concessionary rates with providing technical assistance to enable the providers to improve and expand their services, including adding FP/RH. This sectoral strategy and the specific models have good potential for replication and expansion in the future.

2.3.5 Provision or Financing of Family Planning through Employer-based Programs

The PROFIT staff developed nine subprojects in this sector but none became active. Two subprojects (AAR in Kenya and the work-based initiative in Zimbabwe) would qualify for work in this sector since they both involve working with employers. There are several reasons why there was not more fruitful activity in this sector by PROFIT. First, the links between PROFIT and the predecessor projects (Enterprise and TIPPS) were not strong. Even though the projects had ended, key staff from those projects were working on other population projects and would have been available to participate on an advisory board. Second, other central and bilateral population projects (e.g., SEATS, FPPS in Kenya) have a mandate to work in this sector and they do. Employer-based programs require fairly intense involvement from a CA, it is likely that those CAs with an on-the-ground presence (e.g., Pathfinder in Indonesia) are better placed to develop and implement these kinds of subprojects. (Some have characterized employer-based programs as having moved into the mainstream of USAID family planning programming, thus perhaps not requiring the efforts of a project such as PROFIT.) Third, PROFIT was looking for alternative strategies for employer-based programs than had been pursued in Enterprise. The PROFIT staff believed that developing sustainable service delivery meant finding new ways to organize demand for and supply of services. Sustainability was not a central objective of the Enterprise Project. The concept described in the previous section through AAR and Sulmac is an alternative approach.

PROFIT's External Evaluation Briefing Manual (May 1996) also describes its findings on this sector. Employer-based programs are still deemed to constitute an important way to provide family planning services. However, there are diverse reasons and motivations for firms choosing to start or sustain such programs; some of which have little to do with economic gains or costs. As a result, most employer programs require substantial effort to match the right strategy with specific employer needs—some employers require technical assistance, others commodities, and others financial support.

Conclusion on Employer-based Programs: While employer-based programs remain an important avenue for the provision of family planning, the PROFIT contract was not successful in pursuing

this strategy.¹⁰ There are several reasons, in part related to the diversity of motivations for some companies' deciding that access to FP/RH is important for their workers. PROFIT's attempt to test a different approach to organizing demand and supply (Sulmac Company in Kenya) was not successful, but the proposed model might be developed elsewhere. Similarly, the Industrial Estates subproject, developed in Indonesia, also represents an idea worth pursuing in the future.¹¹

2.3.6 Facilitating Privatization of Family Planning Activities

There were no specific activities developed in this sector, but a number of subprojects address privatization, albeit in an isolated manner. Notably, only the Zimbabwe subproject has a broad approach to increasing the role of the for-profit private sector, even though it is an objective that is stated in the bilateral USAID project. Other PHN projects (OPTIONS, which is now the POLICY Project, and Health Care Financing) no doubt are addressing this in a larger sense. Recognizing the constraints on PROFIT's access to countries, the interplay of PROFIT's and USAID Missions' objectives, and the low priority USAID has given to promoting the commercial sector, PROFIT may have missed an important opportunity to carry out comprehensive work in this area.

Globally, USAID has projects that are working from several directions on privatization of family planning/reproductive health issues. From a country perspective, these include "top down" strategies (such as policy reform and structural adjustment), "bottom up" strategies (such as the various subprojects described in section 2.3.4), and "side-ways" (health sectoral changes in organizing demand [e.g., HMOs] and organizing supply [e.g., networks of health suppliers]).

Conclusion on Privatization of Family Planning: Privatization of health services is an area of

¹⁰ At the time of the PROFIT evaluation, a pilot project had been approved with the Mawana Sugar Works (MSW) Company in India to set up an in-house maternal, child, and reproductive health care program at a sugar processing estate. PROFIT had developed its relationship with SIEL (a diverse company with various operations including in sugars) through its association with the Confederation of Indian Industries, an association of Indian companies. The evaluation team did not assess this project because it was considered to be in a pilot or pre-implementation phase, and there was little to evaluate.

¹¹ Subsequent to the field work for this evaluation in May 1996, the PROFIT project outlined its strategy for working in India. (See Chee memorandum to USAID/India, May 31, 1996.) PROFIT supports the USAID bilateral program by providing technical assistance for employer-based projects. PROFIT has employed a full-time family planning specialist to motivate employers to initiate family planning and health projects. The strategy draws on PROFIT technical assistance and funding from the bilateral program to support specific employer-based projects. As of November 1996, one such project had been approved with the UP Industrial Estate Manufacturers Association and another with Super Tanneries is awaiting approval. The strategy combines elements of both the ENTERPRISE and TIPPS projects' approaches to working with employers. While it is too soon to determine how effective the strategy will be, it appears promising.

growing interest among many countries. The experiences that accumulate across countries (developed and developing) may provide useful lessons. Stimulating the involvement of the commercial private sector in delivering FP/RH services is an important part of this strategy.

2.4 Strategies for Wider Application or Other Options

The evaluation team found that two sectoral strategies pursued by PROFIT could have had wider application.

Through private sector providers:

1. Changing the structure of the private, for-profit health sector by organizing demand through HMOs, insurance schemes, etc. While PROFIT did explore an opportunity to work with the American International Group (AIG) headquarters, there are probably other such opportunities in some countries.¹² It should also be noted that PROFIT's Research Paper No. 2 on employer-based family planning projects (draft by E. Epstein, May 1966) cites several important challenges to working in this area as well as with employer-based programs.
2. Working through the medical, nursing, and other for-profit health provider organizations (associations) to stimulate the growth and scaling up of these networks. (PROFIT has initiated project activities with such associations in Indonesia, the Philippines, and Zimbabwe.)

Through employer-based programs:

3. More work on employer-based family planning programs (such as has been initiated by PROFIT in India), including using the cost-benefit analysis developed by TIPPS in combination with technical assistance in countries where the environment is becoming conducive to private sector involvement.

Several other strategies not pursued in the current PROFIT contract should be considered in a follow-on endeavor:

4. Stimulating the private commercial health sector to make investments for family planning/reproductive health by providing access to new funding through in-country development and private-sector financial institutions. These funding mechanisms could be revolving loan funds, rediscount operations, revolving guarantee funds, technical assistance funds, and others. Local development institutions, including ones providing

¹²For example, in a conversation with the former TIPPS project director, the evaluation team learned of one such opportunity that had been identified with the AIG subsidiary in Haiti in the final days of the TIPPS project.

financing, technical assistance and training, are a way to leverage the use of these institutional capacities ("retailers") to implement such programs more widely with "wholesale" resources provided by the project.¹³

5. Organizing loan operations with high volume service providers (e.g., hospitals, networks of clinics).¹⁴
6. Working with other projects and with the in-country private sector to occupy the space left by a retreating large-scale public sector health provider such as the local social security systems.
7. Organizing networks of private for-profit health providers to take advantage of decentralization through contracts with local and regional governments.
8. Enlisting the participation of traditional health providers to expand the potential network of private providers.¹⁵
9. Investigating the possible provision of mixed credits through the Export-Import Bank (EXIMBANK) to private U.S. companies for FP/RH activities.¹⁶

Overall Conclusions on PROFIT Strategies and Subprojects

Despite considerable effort in developing subprojects, there are only a small number of promising

¹³ PROFIT staff did explore accessing funds through such institutions as the International Finance Corporation and the African Project Development Facility. An important lesson according to PROFIT staff is that capital or the funding mechanism is not the key ingredient for stimulating the private sector in making investments. Rather they believe that the keys are "integrating FP/RH within other commercially viable health delivery activities, and providing the necessary technical assistance (and sometimes funding) to the commercial partners to ensure quality of care and technical implementation."

¹⁴ The PROFIT project did not pursue this strategy because it was advised by people in the family planning community who argued that lending to hospitals was not the orientation that USAID should take. Networks of clinics were, according to PROFIT staff, hard to find, but they did pursue them in the cases of P.T. Bonnys in Indonesia and FEMAP in Mexico.

¹⁵ PROFIT is investigating work with traditional health providers in India, but in many countries the emphasis is away from these providers for quality of care reasons.

¹⁶ According to PROFIT staff, EXIM is a source of export finance for U.S. manufacturers of capital equipment. While this strategy was in the contract and PROFIT staff had preliminary conversations with the Overseas Private Investment Corporation, it was not pursued since most of the official credit is provided for U.S. equipment.

models that are being carried out in developing countries under the PROFIT contract. Among the most promising are CEPEO in Brazil, assistance to pharmacists in Romania, the midwives loan fund in Indonesia, the low-cost health care plan in the Philippines, AAR in Kenya, and the private sector initiative in Zimbabwe. Investments totalling just under US\$2 million are an important part of four of these models and may yield over US\$6 million in investments by partners that otherwise would not have occurred.

PROFIT has demonstrated that it is possible to make investments in the private sector for family planning and health with a very good prospect of recovering at least the principal sum invested if not more. In making such investments, PROFIT has also demonstrated that, under certain conditions, USAID funds do not have to be granted (or given away).

The evaluation team considers these six subprojects as representing very interesting potential models for expanding the commercial sector role in providing family planning and health services.

Lessons Learned

1. As suggested in the evaluation of antecedent private sector projects, there is merit in concentrating the efforts of new or innovative operations in a limited number of countries to achieve a critical mass of inputs and subprojects.
2. Adequate contractor staff presence in the field is important for maintaining critical continuity of operations and relationships with key stakeholders throughout the life of the country program.¹⁷
3. USAID's decreasing resource levels suggest that the cost recovery or resource leveraging strategies developed under the PROFIT, SOMARC and similar programs need to be fully documented and disseminated for application to other relevant PHN projects. A basic design requirement should be a LOP (life of project) funding schedule which demonstrates an increasing ratio of cooperating country cost-sharing (private/public) as the project proceeds over time. Similarly, USAID and the contractor's staff need to develop specific action plans for USAID phase-out and turnover of operations to cooperating countries/other donors (to ensure that they receive adequate attention in Washington and the field). PROFIT's activities in Indonesia may provide an immediate opportunity to develop a prototype or model for such action plans.
4. The introduction of innovative program approaches, such as PROFIT, needs to receive a relatively high level of USAID senior management support and direct involvement in both

¹⁷As has been mentioned, the PROFIT contractor was not able to field a staff in some key countries, while some established field staffs were later discontinued as USAID faced increasing pressure to reduce its field operations and personnel.

Washington and the Missions, if they are to succeed. Otherwise, the perceived higher risk in implementing such new initiatives may cause them to receive less attention than other more traditional or continuing programs.

5. The time frame (life of contract) for a highly creative or innovative contract may need to be longer than the usual five-year norm to permit adequate start-up and gestation. At the same time, USAID project management systems need to quickly respond to negative performance feedback and facilitate cutting of USAID investment losses for new ventures which get seriously delayed or bogged down.
6. Significant technical assistance was provided by PROFIT in the course of developing and implementing subprojects. Such assistance includes country, sector, and investment assessments as well as PROFIT local and headquarters management of the investments. As these investment projects started to develop, it also became more evident that an important part of the investment was the start-up and on-going provision of technical assistance. While this need was clearly anticipated in the contract, it should be reiterated as a lesson learned.

Recommendations

For the remainder of the current PROFIT contract, the evaluation team sees an urgent need for the PROFIT staff to continue providing specialized assistance and other support for the more promising subproject models. Such models should be guided, given further assistance and funds to scale up where appropriate, and carefully monitored as they produce results. Subprojects may thus need advanced level expertise in such areas as HMO marketing, design and execution of country-specific PHN sector strategies, evaluation and research operations (including cross-country comparisons), or in-country results dissemination. It would also be useful to provide expertise to assist in the packaging of proposals for replication of some PROFIT activities through other funding sources (e.g., cooperating governments, the World Bank, the African Development Bank, or bilateral donors).

For a future project:

1. Successful models should be followed and developed further and replicated.
2. To ensure adequate participation of appropriate USAID-assisted countries, any future project should be designed as collaboratively as possible with field Missions so that the objectives are consistent with field programs.
3. Any future USAID endeavor to promote the commercial sector's involvement must address the broader policy realm. The broader policy area should be an integral part of the project's design.

4. Significant technical assistance is needed in the course of developing and implementing subprojects and should continue to be an important component of any future project design with the commercial sector. Such assistance includes country, sector, and investment assessments as well as local and headquarters management of the investments. As investment projects start to develop, technical assistance is also an important part of any investment's ongoing development. The need for technical assistance is just as great in the commercial sector as it is in the public sector and with NGOs.
5. In terms of the overall push toward privatization of family planning, USAID should bring together its multi-directional strategies (policy reform, models, and different ways of organizing demand and supply) in a coherent, coordinated, and reinforcing program that would help advance the development of commercial private sector family planning.
6. Following the preliminary framework on stages of development for family planning (presented in section 5 on lessons learned), develop this or another framework on the stages of development for the reproductive health sector that might yield additional potential strategies to those that have been tested under the PROFIT contract. Coupled with this, explore USAID's past experience and that of other funding institutions in providing assistance through non-grant programs (i.e., loaning or investing, but not giving away funds) to look for additional strategies for FP/RH in the commercial private sector.
7. Based on PROFIT's experience, there do not appear to be great opportunities for local manufacturing of contraceptives in developing countries given the existing role of pharmaceutical companies, the donors, and local governments. For the foreseeable future, additional efforts to develop local manufacturing ventures should be left to those groups with experience in contraceptive manufacturing.
8. In the future, USAID should establish an appropriate mechanism for loaning funds for contraceptive technology development through its contraceptive development program.
9. USAID should take the lead on a global basis to encourage local commercial initiatives and to limit the provision of free contraceptives to only those who absolutely cannot afford to buy them.
10. Given an increasing emphasis on sustainability and the growing numbers of employees who are potentially able to pay for services, a future USAID endeavor should revisit employer-based opportunities (e.g., privatized industrial parks in Indonesia).

2.5 Performance on Technical Assistance

As called for in the contract, PROFIT provided technical assistance through subprojects and also as discrete activities. These latter are referred to as assessments and consultancies by PROFIT

and consisted of 27 such assignments. Some of the assignments were carried out in countries that also had subprojects (e.g., PROFIT carried out an assessment of the sustainability of Family Planning Association of Kenya.) In addition, PROFIT's assessments and consultancies were conducted in 12 additional, non-subproject countries. Roughly 8 percent of the project's level-of-effort and expenditures was devoted to this work. The contract did not specify effort or cost limits, but the levels are reasonable and acceptable.

Assessments and consultancies fall into four categories: sustainability (3 countries), debt swaps and endowments (5 countries), country-level assessments (3 countries), and analyses of commercial family planning projects (2 countries). While the country-level assessments led in each case to subprojects, they were not originally conceived by the USAID Missions or PROFIT as a phase of subproject development. An example of analysis of commercial projects is the feasibility study of local condom production in Zimbabwe.

The evaluation team looked at a few specific assessments and consultancies. In Colombia, PROFIT assisted with the establishment of an endowment (US\$6 million) for *Asociacion Pro-Bienestar de la Familia* (PROFAMILIA), which is considered an important model for International Planned Parenthood Federation/Western Hemisphere Region (IPPF-WHR). The endowment of US\$6 million requires about US\$200,000 for annual expenditures for management, including the time of a U.S. investment banker. In Ecuador, PROFIT attempted to assist with the establishment of an endowment fund for two NGOs. PROFIT's advice was restricted in part by USAID/W guidance on endowments, and eventually the USAID Mission turned to a local firm and a U.S. consultant to find a satisfactory solution. PROFIT provided assistance to USAID/Dominican Republic in assessing the sustainability of a service delivery NGO. The assistance was found useful, and even though the Mission decided not to set up an endowment, it is carrying out other recommendations made by PROFIT. Two other CAs (Development Associates and Management Sciences for Health) are providing the follow-up assistance.

Conclusion: The pay off for ad hoc technical assistance is difficult to measure in any project, and PROFIT is no exception. Most USAID Missions found PROFIT's assistance useful. The sustainability studies were all carried out on behalf of local nonprofit organizations at the request of USAID Missions. The 1993 contract amendment permitted PROFIT to work with nonprofits. The evaluation team is concerned that while a need exists among nonprofits, it should not be addressed by a project whose objective is to stimulate work in the for-profit sector.

Recommendation

USAID Missions and local NGOs need help in assessing and planning the future sustainability of NGOs. USAID/W should create a mechanism to address the need, although not necessarily through a follow-on project whose central objective is working with the commercial sector.

2.6 Evaluation

The logframe for the PROFIT project paper listed five outputs against which to measure achievement. These outputs were a mix of increased resources for family planning and increased commercial provision of services and local production of contraceptive commodities. The outputs in the PROFIT contract were of two types: those easily quantified (debt conversions transacted, production/processing systems established, etc.) and those requiring systematic evaluation to show results in terms of increased provision and financing for family planning services by for-profit entities. The contract placed considerable emphasis on "active and ongoing evaluation and monitoring" and called for both an overall evaluation strategy with measures (including CYPs) and targets as well as country-specific evaluation strategies.

In its Five-Year Strategy, PROFIT also defined success in both financial and family planning terms. Another factor was added: costs and sustainability—could subprojects eventually cover their costs and how long would it take? PROFIT developed an evaluation strategy by early 1993. The strategy addressed each of the project's five goals, and most of the 62 indicators (a rather daunting number) were process measures. The strategy was later refined to include indicators of quality of care and access to family planning.

Some of PROFIT's evaluation indicators attempt to measure the project's success or impact.

Goal: Establish 20 sustainable subprojects
Indicator: Number of subprojects that generate sufficient funds internally for effective long-term operations

Goal: Investment by private sector in family planning
Indicator: Amount invested by private sector investors

Goal: Increased availability of family planning services through the private sector
Indicator: Number of public sector clients switching to the private sector

After more than four and one-half years, PROFIT would be hard pressed to show impact in terms of any of these indicators with the exception of the US\$4.4 million invested by the project and another US\$16 million invested by partners. Why is there not more to show? First, as the project was conceptualized, it had two very different and not necessarily compatible objectives—one financial and one family planning service delivery. Second, and as mentioned previously, the contract's time frame was simply unrealistic for achieving the project's goals—especially for a new endeavor. Thus for most of PROFIT's subprojects, there has not been sufficient time to generate useful data that could be combined to give some overall measure of impact. Even if there were data, it would be very difficult to produce much impact on family planning service delivery given the limited number and scope of subprojects. PROFIT staff have also pointed out the difficulty of using common indicators across heterogeneous subprojects and generalizing about the models and approaches once subprojects are far enough along. Third, while the goal of sustainability is worthwhile, it is very difficult to operationalize indicators (e.g., terms such as "sufficient funds"

and "effective ... operations.") The population field generally is still struggling to define sustainability and to develop useful measures.

Many evaluation team contacts noted that it was probably inappropriate to use couple years of protection as a key measurement of PROFIT impact. Such measures are important but need to be weighed against alternative indicators, such as a program's longer term financial viability or its potential for leveraging more private sector PHN resources over time. The use by some USAID staff of CYPs as the primary measure of effectiveness also suggests a disconnect between their approach and the broader strategy of promoting family health. Similarly, many evaluation team contacts pointed out that clients and potential clients want services and products which go beyond family planning. In other words, the provision of family planning alone is rarely a profitable or sustainable operation, but the USAID organizational culture has not adapted to this fact. On the part of the PROFIT contract, some subprojects collect data from which CYPs can be derived, but staff prefer to use "shifting" consumers to private sector sources of family planning as a measure of impact.

Conclusion: PROFIT did not meet the expectations of either the project paper or the contract in this regard. Active and ongoing evaluation was certainly a desirable activity in theory, but USAID was unrealistic about what was possible. Even though PROFIT staff devoted much time and effort to evaluation, the overall evaluation strategy has been elusive. Given the difficulty in getting subprojects under way, it is not surprising that the contractor was not able to accomplish much evaluation.

2.6.1 Subproject Evaluation

PROFIT staff were more productive in formulating evaluation strategies for specific subprojects. PROFIT's External Evaluation Briefing Manual includes an appendix with subproject evaluation plans for 10 subprojects, including three that were discontinued.

- In the case of the AAR subproject in Kenya, PROFIT and AAR staff collaborated in preparing the indicators. The indicators represent a mix of what AAR needs and what PROFIT needs to report to USAID, and the data are being collected. The measures cover inputs (such as the number of training sessions), short-term outcomes (e.g., the premium charged for AAR health care plan) and longer term outcomes (e.g., percentage of new employers enrolled in AAR's plan that did not previously provide family planning.)
- In the case of the Zimbabwe private sector initiatives, virtually all indicators are process measures, given the nature of the subproject and the short time frame. Some short-term and long-term outcomes are included (such as contributing to ZNFPC's goal of shifting a percentage of users to the private sector). The evaluation framework has been developed jointly with local PROFIT staff and key players for the various subproject initiatives.

- For the Indonesian Midwives Fund, an evaluation plan exists with various measures of inputs, short and long-term outcomes. Financial data are being collected from the midwives and from the bank's monthly reports, but it is unclear whether FP/RH service delivery data are being collected and whether baseline data were collected to show progress.
- For the Philippines HealthSaver Project, a local PROFIT evaluation contractor is assessing both the utilization of PHN services and the business practices of the participating hospitals. The PROFIT staff has also completed surveys of the Philippines service providers and consumer groups to get information for planning and training programs.

Conclusion: While it is too soon to tell how useful the evaluation plans will be, some data are being collected for most subprojects. However, many do not appear to include measures of service quality except in terms of training activities. There is a reasonable promise that some hard data will be available to assess the outcome of the subprojects if their implementation is continued long enough.

Recommendation

PROFIT should continue to monitor the ongoing subprojects and ensure that data for the evaluation indicators are being collected. Once sufficient results are available, the data should be analyzed and assessment reports prepared. At this stage, PROFIT should also assess how its evaluation efforts might inform other evaluation efforts in the PHN field. (This was called for in the scope of work for this external evaluation but could not be addressed given the dearth of evaluation results.)

2.6.2 Evaluation of Other Core Activities

In addition to developing a strategy to evaluate the overall project as well as its subprojects, PROFIT was charged with developing a way to measure its other core activities. These core activities and the indicators developed to assess them are as follows:

1. **Disseminate information** on the overall project, the subprojects, other activities, and research findings. Indicators consist of the number of newsletters produced and distributed, case studies completed and disseminated, research projects/papers completed and disseminated, PROFIT seminars and conferences, presentations given by PROFIT staff at seminars and conferences.
2. **Establish and maintain a skills database of consultants.** Indicators consist of the number of consultants on the database and the presence of an effective indexing system.
3. **Establish and maintain a PROFIT library as a useful resource.** Indicators consist of

the number of publications in the library and the presence of an effective indexing system.

As far as they go, these are important indicators. However, all are process indicators and do not include criteria to measure the quality of the endeavors or their outcomes. For example, production of a research report on working with private health care providers gives no clue regarding the adequacy of the report, what actions were undertaken or planned by its readers as a result of studying the report, or whether there was a felt need for this information in the first place on the part of its intended users. Was there a short survey of intended users to ascertain interest in this or other topics before selecting it? Was there a peer review of the report while still in draft or a review by intended users? Was there an attempt to find out what plans or actions followed the receipt of the information by intended users? In the last instance, PROFIT is now including "bounceback" questionnaires with the materials it disseminates to ascertain whether the information led to actions or plans and to solicit feedback for the improvement. This is a positive addition to PROFIT's self-evaluation program. Similar evaluation criteria can be applied to the library and consultant database.

Recommendations

1. After an appropriate interval, PROFIT should gather follow-up data from recipients of the first reports in PROFIT's research series in order to ascertain what actions, plans, and changes in attitudes regarding commercial sector FP/RH may have occurred as a result of its dissemination program.
2. For the follow-on project, it will be important to ascertain intended users' perceived needs and preferences for various kinds of information as one of the criteria for selection of topics; build in quality indicators (especially through peer review); gather baseline data on intended users' knowledge, attitudes, and current level of activities regarding commercial-sector FP/RH services; and do follow-up data-gathering to measure the differences in these indicators that may be at least partially attributable to the project's research and dissemination program.

2.6.3 Monitoring

PROFIT has put in place a monitoring system that is designed to document subproject activities, track progress toward objectives, provide data for making course corrections, and permit a rapid response to requests for summary information. The system is called PREMIS (PROFIT Evaluation and Monitoring Information System); it went through a variety of changes in concert with changes in the project itself. Among the changes that the evolution of the project necessitated was the assumption that monitoring benchmarks and evaluation indicators for all subprojects would be the same or similar, allowing for the development of standard management information system (MIS) data. This turned out to be an invalid assumption and conceptualization of data collection had to be revisited. The system is finally in place, but it is too

early to assess its adequacy for the various purposes described above.

Recommendations

1. In the time remaining, PROFIT should choose one subproject and assess the adequacy of PREMIS in tracking its progress and providing data for course corrections. Based on this assessment, PROFIT can make recommendations for a MIS in the follow-on project.
2. For the follow-on project, USAID should incorporate the best features of PREMIS and make additional changes that will permit sound evaluation and monitoring of subprojects and other project deliverables.

2.7 Research and Dissemination

2.7.1 Evolution of the Research and Dissemination Mandate

Early in the project, PROFIT's Five-Year Strategy stated that its "strategy for disseminating information is aimed at broadening the successful, commercial family planning experiences of the project." This objective, drawn from its contract, clearly assumed that the project would have time to 1) make sufficient progress in achieving impact in the commercial sector to permit generalizable conclusions to be drawn about the approaches used, and 2) analyze, "package," and disseminate this information to a carefully targeted list of decision-makers. In turn, some of these decision-makers would be persuaded by the information to initiate planning for adapted versions of these commercial ventures in their own spheres of influence. Given the project's five-year time frame, and even with a one-year extension, this was "an impossible dream." Because the time required to identify, assess, negotiate, begin and then reassess the viability of subprojects was much greater than anticipated, PROFIT at this point has no long-term, completed case histories to disseminate as instructive models.

Recognizing these limitations, the Third-Year Management Review suggested that PROFIT staff revise its strategies in research and dissemination. It recommended, in effect, that the project should not depend on completed subprojects as source material on efforts to expand FP/RH through the commercial sector. Research findings and information drawing on the work of the project and other groups was suggested on various topics including a "map" of the business environment in a given country and the potential role for the commercial sector; the best FP/RH opportunities; policy and regulatory obstacles amenable to change; guidelines for conducting commercial sector assessments; and even areas in which to exercise caution or pitfalls to avoid.

Through a broader approach to analysis and dissemination, the project could expand the existing body of knowledge on commercial sector initiatives. This information could help overcome the limited appreciation of the potential contributions of the commercial sector to national family planning objectives, spark interest among decision-makers such as USAID Missions, and provide

guidance to those interested in pursuing such endeavors.

2.7.2 *The Enhanced Research Agenda*

PROFIT responded to the above recommendations by developing a Research/Dissemination Framework (June 1995), which outlined the areas of research it would undertake through its core staff, subcontractors, and consultants. The term "research" is broadly defined and includes original data collection, further analysis of existing data, surveys, interviews, and extensive literature reviews. The agenda addresses the three main areas of commercial activities undertaken or explored by the project as contract deliverables; that is, innovative investments, private health care providers, and employer-provided services. Within this framework, the selection of topics was based on discussions with USAID/W, areas of PROFIT experience from which lessons or guidance could already be derived, areas that needed further exploration, and the published and unpublished experience of other groups working in the for-profit sector. USAID Missions were not formally surveyed. However, their interests in certain topics were ascertained through interactions with Mission staff in countries with subprojects or technical assistance activities, and in those countries where needs assessments were conducted even though subprojects did not arise from them.

As of May 1996, PROFIT had developed detailed scopes of work for eleven topics, the first three of which have completed drafts; the rest are works-in-progress.

1. Practical Pointers for Conducting Private Sector Family Planning Regulatory Assessments. (Frank Feeley, Boston University, May 1996)
2. Employer-Based Family Planning Projects: Past Guidance and Future Implication. (Eve Epstein, May 1996)
3. Update on Debt Conversions and Blocked Funds Opportunities (PROFIT staff, May 1996)
4. Macro-Picture of Private Sector Contributions to Family Planning
5. Assessment of Family Planning and Health Insurance Programs
6. Local Contraceptive Manufacturing
7. Transition from Donated to Commercially Supplied Contraceptives: A Case Study in Brazil
8. Provider and Consumer Attitudes toward Private Sector Health Care and Family Planning Services
9. Leveraging USAID Funds
10. Loan Funds: Expanding the Role of Private Providers in the Philippines and Indonesia
11. Sustainability

In addition to the above research studies developed in response to the Third-Year Management Review, PROFIT also has produced a series of country assessments, more detailed country reports on special topics, a policy statement on family planning service delivery standards, and a

description of PROFIT's approach to evaluating performance and quality of care in the family planning service aspects of its subprojects. (See Appendix H, Publications List and Sample of PROFIT Group Presentations.) No operations research (quasi-experimental design) was done; this would have permitted the project to assess cost-benefit ratios and cost effectiveness across commercial sector approaches and possibly even across the public and NGO sectors. However, given the delays in operationalizing negotiated subprojects, there might not have been enough time to do these illuminating kinds of studies. Similarly, had there been the mandate and enough time, Mission requests for country-specific studies of for-profit opportunities, constraints, and trade-offs with other Mission options could have been proactively solicited and may have led to greater interest in the project on the part of more Missions.

Mission interest did lead to one specific and unexpected avenue of inquiry for PROFIT. Although working with the NGO sector was not in its original mandate, two publications related to NGO sustainability issues grew out of PROFIT's assessments and experiences from responding to the high demand from Missions for technical assistance in this area:

1. Endowments as a Tool for Financial Sustainability: A Manual for NGOs (PROFIT staff, 1993)
2. Sustainability Checklist for Non-governmental Organizations (W. Timothy Farrell, DA, Timothy Williams, International Planned Parenthood Federation/Western Hemisphere Region (IPPF/WHR), John Bratt, Family Health International (FHI); 1994)

Conclusions: The PROFIT research agenda is responsive to the recommendations of the Third-Year Management Review. It is comprehensive—covering a wide array of private sector topics—and when complete, the research report series should be a useful set of materials for end-users. The three recently completed draft reports incorporate the lessons learned and experiences of others working in private-sector health services. It would be interesting if experience in developing countries with privatization reforms or initiatives in the wider development field were also tapped (e.g., in agriculture where government subsidies of food have dampened productivity or in education where rising incomes of the lower middle class have led to demand for private schooling).

The research series started late as did subprojects, and it will be difficult to measure the impact of research dissemination efforts before the end of the project. Operations research would have made a valuable contribution to the knowledge base of the field, permitting comparisons of approaches in terms of cost-effectiveness and cost-benefit ratios. The project could have ascertained more systematically the needs of end-users (USAID Missions, USAID/W, other donors, the in-country and international business communities, international and national development and investment bankers, CAs and others who work in development.) A segmented research agenda and dissemination plan could then have been developed according to users' needs and preferences. For example, Missions might request detailed, country-specific analyses centered on the cost benefit of Mission funds that are devoted to a PROFIT subproject compared

to other options in terms of achieving FP/RH objectives in the short and long term.

Lessons Learned

1. Research findings and other data are critical to successful marketing of the project, its ideas and actual initiation of commercial sector activities among consumers, particularly the USAID Missions.
2. A research agenda based on the expressed consumer needs and interests rather than research reports distributed post-hoc is more likely to engage the interest and satisfy the needs of those consumers. Had circumstances permitted, earlier efforts to involve the Missions in identifying research topics might have led to greater interest in project activities on the part of USAID Missions.
3. Operations research is powerful because it can help answer one basic question for USAID Missions, business leaders, and health professionals: "Compared to what?" (See section 3.5, Links to Other PHN Projects.) Since there are OR contractors with whom to collaborate, a project such as PROFIT can work together with others to conduct OR as appropriate.

Recommendations

In the remaining life of the project, PROFIT should explore the possibility of doing even small-scale operations research on the projects that are just getting under way, such as in Romania and Zimbabwe. This could be done by PROFIT and its business partners or by connecting with the operations research/technical assistance (OR/TA) projects.

Following are suggestions for a future endeavor:

- USAID should incorporate operations research into the design, and include consumers' interests in various questions among the criteria for selection of OR activities.
- The design should include research/market research of clients and potential clients to assess and/or demonstrate demand, concerns, and preferences for FP/RH services and products.
- The work scope should include a consumer survey (USAID Missions, other donors, lenders, the business and health communities, and other "key players") to ascertain what kind of research and information is needed—and desired formats.

2.7.3 Dissemination Activities

PROFIT's Research/Dissemination Framework (6/95) did not include a dissemination strategy. However, the External Evaluation Briefing Book included a full description of PROFIT's dissemination activities and its publications and presentations list. Additional information was gathered through discussions with PROFIT staff, review of published materials, and interviews with USAID/W and Missions, CAs and other groups as intended consumers of dissemination products and possible collaborators.

The stated objectives of PROFIT's dissemination strategy are 1) to facilitate the development and discussion of commercial sector family planning strategies; 2) to report PROFIT activities to interested parties; 3) to act as a central resource for those seeking information on commercial sector initiatives in family planning; and 4) to provide models, guidelines, case studies, and recommendations based on PROFIT's findings, results, and lessons. Although it is not clear in point No. 4 above, the dissemination mandate articulated in the November 1994 Third-Year Management Review has meant a shift to move beyond the original charge to provide "information about PROFIT's activities and achievements." In response, PROFIT has expanded its research activities to gather and disseminate lessons learned and useful guidance drawn from others' research and experiences as well as its own.

PROFIT's audiences include:

- USAID Missions PHN offices
- USAID/G/PHN/POP
- PROFIT's partners/collaborating organizations
- International donor institutions
- Population and health CAs
- Subproject country governments
- The private sector business community
- Professional associations of private sector providers in developing countries

PROFIT's dissemination products/formats and channels include the following:

- Publications (project brochure, newsletters, subproject and research profiles, country-specific publications, research reports, case studies, training curricula and manuals)
- Mailings (publications list and order form; the above materials)
- Presentations, often using overheads or slides (PROFIT-initiated conferences, workshops and seminars; annual professional conferences; workshops co-sponsored with other CAs and/or donors; brown-bag discussions; briefings with USAID, donors, collaborators and advisors)
- Media coverage in U.S. and developing countries (press releases; invitations to media to cover conferences and workshops)

In view of the project's many unanticipated obstacles and delays, PROFIT has done a remarkable job of culling information on its own and others' experience in the private sector and disseminating it to a wide array of audiences through publications and presentations. (See Appendix H for the Publications List and Sample of PROFIT Group Presentations.) It has developed a mailing list of approximately 1,000 individuals and institutions. About 900 of them are drawn from USAID/W and Missions, the health and population community, the private sector and the banking community; about 100 are U.S and overseas journals and newsletters in the areas of health, population, family planning and international development. To date, over 10,000 copies of PROFIT's newsletter, "The PROFIT Advantage" have been distributed by mail or through conferences and meetings.

By May 1996, PROFIT had produced and disseminated over 30 reports and studies, including country assessments and reports on country-specific special topics, e.g., Consumer Survey on Preferred Source of Basic Health Care and Family Planning Service (Philippines, 1996). It had also conducted more than 70 seminars, workshops and other presentations, including a session on the commercial sector at the last State of the Art (SOTA) workshop in June 1995 for USAID PHN officers from all of USAID geographical regions. The bibliography prepared and distributed at this session is an excellent resource for those who wish to do further reading in this area. In fact, it would be convenient if PROFIT distributed this bibliography widely and offered reprint services to those who wish to access some of the articles and reports on the list, along with PROFIT's own publications. Updated versions could accompany the PROFIT publications list and order form. The Population Information Program and the Population Reference Bureau have found that such services are very popular; this could increase PROFIT's reputation as a central source for information on private-sector activities in FP/RH and related fields and make its library a living resource. The library now contains over 1,500 books, periodicals, reports, country studies and articles dealing with development financing, cost-benefit analysis, endowments, contraceptive research and family planning—mostly used by project staff.

In general, PROFIT's in-country dissemination efforts are not as extensive as in headquarters but there are some notable activities. In Kenya, the bilateral Health Care Financing Project (PROFIT's CA collaborator) organized a regional workshop on health insurance. Attended by participants from Eastern and Southern Africa, the AAR subproject model was presented. When evaluation results come in, PROFIT plans to do a case study of this model. The results of a sustainability study of the Family Planning Association of Kenya (FPAK) were presented at a two-day workshop for FPAK and donors. The Zimbabwe subproject had built-in dissemination activities from the start, including seminars for business leaders, conferences for nurses, and a paper delivered at ZNFPC's seminar on method mix. The Romania subproject that has just begun has a significant information, education, and communication (IEC) component for clients and potential clients although to date it does not include dissemination to the embryonic business community or health professionals. If successful by the end of its activities, dissemination of the model will follow. In addition, there have been presentations on in-country work at conferences and workshops and at CA meetings in the Philippines (e.g., an association of HMOs), Brazil, India,

and Indonesia, as well as international meetings (e.g., the National Council for International Health).

Conclusions: PROFIT has developed a vigorous information dissemination program, particularly since adding expertise in this area to its leadership. Its plans to increase activities in this area throughout 1996 and 1997 are sound and include some innovative elements such as brief subproject and research profiles, an invitational meeting of private sector experts and an open conference, tentatively entitled "Private Sector Family Planning: A Decade of Experience." It has selected the audiences; although clearly more might have been done earlier to increase interest and meet the right informational needs of USAID PHN officers. Women's groups should be added as an audience for publications and for meetings and discussions. There are some worries on their part about the quality of care within commercial settings; information exchanges would be mutually beneficial and PROFIT could find in women's groups potential allies and collaborators.

Lessons Learned

1. USAID Mission PHN staff are not a ready-made consumer of what the project has to offer. Earlier attempts to ascertain their informational needs and interests and kinds of formats and channels they prefer might have contributed to greater Mission interest in the project.
2. All major audiences and users of information are better served and are more likely to be committed if polled about their interests.
3. Formats/channels must be tailored to the needs of specific audiences. For some policy makers, a one-page fact sheet or Internet soundbite may be the only effective communication.
4. The dissemination plan and criteria for selecting the research and other information that it will transmit must be genuinely strategic; it should follow a careful analysis that examines who needs what information in order to do what to help solve what problem. In general, such an analysis yields four categories of users (not always mutually exclusive): a) those to whom the project or its ideas must be marketed in order to survive (USAID, other donors, in-country policy makers, collaborators, partners); b) those who are "in the loop" for general information about the field or progress reports (USAID, CAs, advisory panel); c) those who will actually undertake activities using checklists, models, formulas, manuals, research findings, and lessons learned; and d) those who study or archive the knowledge base in the field (other professionals working in the area, educators, students, scholars). Content, formats, and channels must be tailored to differing needs.

Recommendations

1. In the final 16 months, the PROFIT contractor should further develop its dissemination

strategy by segmenting audiences as described above, based on a sample survey of these audiences. If feedback from intended users supports this approach, use e-mail and one-page "press releases" to disseminate summary information.

2. Any future project should begin by designing an audience-specific, segmented research and dissemination strategy, which includes polling the intended users about content, format, and channel preferences.
3. PROFIT should identify different models for attractively formatted case studies (possibly, Romania, Zimbabwe, Kenya, CEPEO/Brazil, and the Indonesia Midwives Loan Fund).
4. USAID and PROFIT should recognize that the experimental nature of the project permits false starts and dropouts. There is often as much to learn from what did not work as from what worked. The UNIMED/Maceio project in Brazil may be instructive in that a commercial FP/RH endeavor may be successful but not achieve its basic purpose—serving the poor and lower middle class in an underserved area.
5. PROFIT should develop a "how-to" series for potential partners and backers ("How to make money through providing private FP/RH services," "How employers can save money by including FP/RH in health services," "How donors can achieve FP/RH objectives through the commercial sector," "How governments can save money through partnerships with private sector health services").
6. PROFIT should expand audiences to include more staff from USAID G/PHN/HN, the Women In Development (WID) Office and entities dealing with private enterprise.
7. PROFIT should include women's groups as audience and potential collaborators and partners (e.g., through loan funds or service providers).
8. PROFIT should include more materials on FP/RH—PROFIT-developed or from other groups—particularly for the business community.
9. PROFIT should consider producing an end-of-project summary booklet on lessons learned. The project could work with the Population Reference Bureau, who have expressed interest in technical collaboration with PROFIT, and whose cooperative agreement permits them to do so at no charge. If funds permit, producing a video version should be considered as well.
10. PROFIT should encourage greater media attention to promising or successful subprojects in-country, possibly in connection with seminars for policy-makers (which attract the media).
11. PROFIT should revamp the order form by numbering the PROFIT publications that are

available so that a one-page fax or e-mail version can be used to order them.

12. PROFIT should organize a reprint service for key articles and reports in the field (using the SOTA bibliography, updated as needed) and number them so that they can be conveniently ordered as suggested in recommendation number 11.

3. ORGANIZATION AND MANAGEMENT

3.1 Structures and Staffing

3.1.1 *Type of Organization*

Some evaluation team contacts raised the question of whether a "Big 8 Accounting" firm like Deloitte Touche Tohmatsu International Lending Agency (ILA) Group, Ltd. (DTT) was the appropriate type of organization to implement an innovative commercial project like PROFIT. However, selection of the contractor was done in a competitive manner by informed USAID staff, and DTT was deemed the best qualified bidder. DTT chose subcontractors that could provide additional expertise in areas like health and economic development: Boston University Center for International Health; Development Associates, Inc.; Family Health International; and Multinational Strategies, Inc. (financial services and investments). However, the 1991 USAID Contract Selection Panel did question the fact that none of the key personnel proposed by DTT for PROFIT were employees of DTT or the subcontractors. In its Best and Final Offer, DTT acknowledged that it had to seek "the specialized expertise required for PROFIT outside of the core firms."

3.1.2 *General and Technical Leadership*

The overall direction of the PROFIT contract is provided through an oversight board whose members represent the senior management of DTT and the subcontractors. This group meets roughly every six months with senior implementing staff to provide general direction to the project. More continuous senior DTT oversight has been provided through the active participation of a DTT Partner (and head of the ILA Group) from the beginning of the PROFIT contract. The implementing staff was also arrayed to incorporate the skills deemed essential by the DTT leadership to cover the investment and health aspects of the project. The RFP clearly called for staff with genuine business experience rather than a CA with predominant expertise in family planning. So the relative mix of professionals favored this business orientation. In retrospect, some PROFIT senior management note that more attention should probably have been given to hiring staff who would have been adept at integrating PROFIT's mandate with USAID's population program and the family planning CA community (but not at the price of getting staff who would compromise an innovative, business approach).

When the opportunities for debt conversion proved to be nonexistent during the start-up of the PROFIT project, it is not clear why PROFIT's leadership did not move vigorously to pursue some of the other strategies outlined in its 1991 Best and Final Offer. The contractor thus vowed to pursue such innovations as utilizing creative financial techniques **beyond conversions**, investigating the market potential of more contraceptive techniques, and exploring the financial sustainability of family planning by itself, rather than as part of an integrated health package.

However, these or alternative general strategies for innovation do not appear to have been pursued by the contract leadership.

The USAID Third Year Management Review concluded that the PROFIT contract had produced relatively little PHN impact. A subsequent PROFIT contract amendment stressed the more general tasks of research, evaluation, and information dissemination. The new focus on general research and evaluation activities will hopefully not detract from the continuing need of subprojects for resources and nurturing during the remaining months of the contract.

3.1.3 Linking Essential Professional Specialties

The PROFIT contract structure and staff mix were revised over time to address the changing task load and the types of skills required. From the beginning there was an effort to marry "investment" specialists with "family planning" specialists, but this was only partially successful. The worlds of investment and family planning were not as easily integrated as had been hoped. For decades, the population community has considered family planning service delivery as a subsidized activity dedicated to the poorest populations and did not expect it to generate profits to the providers. No doubt, this viewpoint made PROFIT's work more difficult.

In addition, a review of some active subprojects suggests that the investment inputs often received priority over family planning technical inputs. This may be attributed in part to the fact that family planning expertise was not sufficiently strong to assure the inclusion of the needed family planning inputs in subproject design. Finally, slow implementation has meant less family planning service output and fewer results than was anticipated. In the case of two Philippines subprojects (and in spite of general PROFIT strategies for incorporating family planning), slow implementation made the projects vulnerable in a review for family planning outputs by the USAID Mission staff in late contract-year 1995.

Figure 1 shows the PROFIT contract organizational structure that was adopted in July 1995. The current staffing mix appears to rely more on program generalists to provide general oversight and support for subprojects and the increased emphasis on evaluation and information dissemination. The staffing also reflects funding and staffing reductions resulting from the continuing USAID retrenchment. For example, subproject support which was originally supposed to come from PROFIT field offices must now be provided by the home office because of Mission-imposed restrictions on field staffing.

The extensive materials provided to the evaluation team suggest that the PROFIT staff has done a good job of documenting subproject operations over time. This should facilitate ongoing efforts to evaluate experience and report the lessons learned on a subproject in a country, or on a PROFIT-wide basis. The extensive array of individual or group trip reports

INSERT FIGURE 1

should be particularly valuable in reconstructing a chronology of events to illuminate what worked and what didn't work in a given situation.

3.1.4 Advisory Board

Impartial technical advice, especially on PHN issues, was to be provided by an advisory board made up of people outside of PROFIT. They would represent donors, foundations, cooperating countries, and others. The minutes of the board meetings that were made available to the evaluation team and information from board members suggest that a) the advisory board has met infrequently (sometimes only every 6-12 months), b) participation of outside members has been minimal (2-3 active members), and c) meetings have often been unfocused, with no clear action agenda. DTT staff told the evaluation team that special efforts were made to involve the advisory board, but some members rarely attended meetings. The PROFIT contractor staff reported that the advisory board has provided valuable feedback on general strategies and program initiatives. On balance, the project appears to have used this potentially important support group in a suboptimal manner.

3.2 Role of the Summa Foundation

The Summa Foundation is a nonprofit, Virginia nonstock corporation which was created by USAID in 1992 to provide a legal and organizational vehicle to channel, administer, and realize PROFIT's investments and returns. Summa's legal purpose is to "promote family planning and other population programs in countries outside the United States." The Summa organization was superimposed upon the PROFIT contract organization, which provides its two directors, other staff support, and funds. Section 501 (c)(4) of the IRS Code exempts Summa from U.S. income taxes but does not entitle U.S. taxpayers to make tax-deductible contributions to Summa. If Summa is terminated, its net remaining assets are to be distributed to tax-exempt charitable or educational institutions.

USAID names the two (PROFIT contractor) directors who constitute the Summa board of directors. There are no corporate "members" or "shareholders" in the context of a for-profit corporation. The directors are beholden to themselves and to USAID. Under a May 1992 Memorandum of Understanding, which outlines the relationships between USAID and the directors provided by the PROFIT contractor, USAID must also approve Summa's use of funds and investment returns. Presumably such uses must relate to the PROFIT project activities.

While the original project plan was to provide about US\$17 million for investments through Summa, only US\$5.4 had been disbursed as of May 1996. About 53 percent is for loans, 29 percent for equity investments, 14 percent for technical assistance, and 4 percent in bank balances. The loans are used for the PROFIT subprojects in Indonesia, Kenya, the Philippines, and the United States. An equity investment was made in a subproject in Brazil. The PROFIT staff

expects to recover 95 percent of the outstanding loan balances.

While Summa is essentially a paper entity since it is administered by the PROFIT contract staff as part of their tasks, the foundation has the potential to continue as a legal structure beyond the current PROFIT contract. USAID needs to decide on the future uses to be made of Summa and its assets and advise concerned parties as quickly as possible. USAID/W technical staff and lawyers as well as PROFIT staff have already begun working on these issues. Some USAID Missions would prefer to see the loan funds transferred to local entities, provided that Mission staff do not have to be involved in administrative or oversight tasks. If USAID intends to continue using Summa, it should consider revising its tax exemption status to facilitate future donations. (See Appendix D for a more detailed discussion of Summa.)

3.3 Relations with USAID

The increase in centrally funded PHN projects during the past decade has led some Mission staff to view new projects with a critical eye. Consequently, USAID/Washington and PROFIT staff had mixed success in getting Mission support when the project was initiated. The Missions in some target countries declined to participate, especially where there were several other bilateral or centrally funded population projects already operating. Some Missions also tried to steer PROFIT resources toward their own priority interests, so some subprojects were responses to targets of opportunity. Shrinking Mission funds and staffs and the requirement that Missions pay for in-country and home office operations have resulted in the decision to close out PROFIT in some countries. Support has been more positive in countries such as Kenya and Zimbabwe, where PROFIT has been more involved in priority local programs.

In the early days of the contract, staff met with representatives of the Bureau for Latin America and the Caribbean (LAC) and the New Independent States (NIS) Task Force regarding activities in Latin America and Russia/Eastern Europe. The PROFIT staff also met representatives of the Bureau for Asia and the Near East (ANE) PHN staff. As the number of technical staff in the regional bureaus dwindled, their role in country programming decisions diminished, as did PROFIT's contact with them. More recently, some effort has again been made to involve the USAID Regional Bureaus in marketing the project and provide information about ongoing work.

3.4 USAID Policies and Practices that Constrained PROFIT's Performance

While PROFIT was designed as a commercially oriented project, it has had to operate within the USAID environment. This affected not only the selection of countries and activities, but their timing and implementation as well. Two factors were especially important.

3.4.1 Lack of Recent USAID Experience in Dealing with the Commercial Sector

In years past, USAID and predecessor organizations have dealt with commercial organizations and established various private sector funding mechanisms in cooperating countries. Many of the PHN staff in USAID/W and Missions who worked with the PROFIT staff, however, do not have such experience. Consequently, there is little experience with the risk taking associated with providing loans or equity investments to private firms. To overcome some of the administrative and legal constraints commonly imposed on contracts, the USAID/W legal staff helped design the Summa Foundation to serve as a vehicle for funding PROFIT subprojects and recovering funds from loans and investments. (See section 3.2 for a detailed discussion of Summa).

In the field, many current USAID Mission PHN staff are more accustomed to working with government agencies or PVOs than with commercial firms and to using grants rather than loans to fund activities. Consequently, some USAID PHN personnel are apprehensive about their role in PROFIT activities, including those established local loan operations that are established and will continue beyond the existence of any local PROFIT presence. If USAID expects to significantly increase commercial sector operations in future PHN programs, it needs to identify better funding mechanisms for such operations and to educate its staff in the flexible use of such mechanisms. For example, a general grant may be a more appropriate instrument for supporting urgently needed PHN innovation activities than a contract or cooperative agreement.

3.4.2 Donor Reluctance to Privatize Contraceptive Supply Operations

While one of the PROFIT project's tasks was to help expand the availability of contraceptive supplies through commercial channels, USAID, the United Nations Population Fund (UNFPA), IPPF, Germany, and other international donors often discourage such expansion by continuing to fund free or highly subsidized contraceptives. There is thus little incentive for local commercial organizations to manufacture and/or market contraceptives.

Current donor practices also discourage cooperating countries from developing more viable supply systems to ensure that clients will be supplied following the withdrawal of foreign aid. For example, the Government of the Philippines has had a family planning program for over 25 years, but has reportedly never spent one peso on contraceptives. Consequently, even middle- and high-income clients commonly go to government sources to get free family planning supplies. USAID has also frequently funded the internal logistics and distribution systems for family planning supplies. While donors periodically confer on the need to reduce their negative impact on the market, decisive action seems to elude them.

3.4.3 The Limitation of Five-year USAID Contracts

Given that it took the PROFIT contractor more time than had originally been planned to make the investments (two-three years rather than one), and that the total time from investment ("get in") to divestiture ("get out") can take from five to seven years, the five-year life of a typical USAID contract is too short to see subprojects through to fruition.

3.4.4 Other Constraints Reported by the PROFIT Staff

According to PROFIT staff, several aspects of PROFIT's efforts to deal with local commercial firms were reportedly impeded by U.S. Government or USAID rules in various areas of subproject operations and procurement. PROFIT was not permitted to invest in subprojects involving contraceptives that have not been approved by the U.S. Food and Drug Administration (e.g., Cyclofem). USAID prohibited PROFIT from purchasing U.S. contraceptives if the USAID central office (G/PHN/POP) was procuring them. PROFIT was also forbidden to receive USAID-purchased contraceptives if these were for resale. USAID's "Buy-America" rules also made some equipment and services too expensive to be competitive in some countries and imposed special restrictions on local partners.

3.5 Links to Other Projects in PHN and Other Donors

During its early years, PROFIT operated in relative isolation from other USAID/G/PHN Cooperative Agencies, with a few notable exceptions. PROFIT staff noted that the uniqueness of their mandate resulted in relatively little initial interaction with other USAID Cooperating Agencies. This may have been due in part to the fact that Deloitte Touche Tohmatsu is not a traditional CA. Most CAs have been working for many years with USAID/W, USAID Missions and with each other and understand the USAID system and "culture" well. In addition, most traditional CAs' activities lend themselves more readily to coordination and/or collaboration than does PROFIT.

Deloitte Touche Tohmatsu, being aware that it needed senior staff who have technical skills and familiarity with USAID family planning programs, believed that it had met this need through two of its subcontractors. Unfortunately, this assumption did not pay off in solid understanding of and connections to the USAID CA community. It is possible that USAID might have done more to foster important linkages. USAID did in fact arrange for some key early contacts—with former staff of Enterprise (John Snow, Inc.) and staff of SOMARC (The Future's Group). While PROFIT and USAID could have been more proactive in developing synergistic linkages with other relevant CAs, the burden is in fact shared by other CAs who could also have been more proactive.

During the first year, John Snow, Inc., tried to help out by making available to PROFIT a room

stocked with the Enterprise Project's records and materials. JSI also made former staff of the recently ended Enterprise Project freely available for consultation. PROFIT staff have characterized the nature of the availability of the room and relevant Enterprise information as not very helpful. Contacts with the former TIPPS staff were informal and never led to any systematic review of project results or transfer of knowledge from that project's experience. The project director of SOMARC recalls that there were many attempts to collaborate on country subprojects in which PROFIT's potential stimulus of local commodity distribution or manufacturing would work synergistically with SOMARC's interests in social marketing and private FP/RH services. These attempts to collaborate did not work out for a variety of reasons, including the difficulty of meshing PROFIT and SOMARC schedules. In El Salvador, PROFIT is working with JSI's INITIATIVES project. In Romania, the project has formed links between pharmacists and SECS, a FP/RH counseling NGO supported by CEDPA. There are some other minor areas of collaboration between PROFIT and other PHN CAs.

It is likely that there were opportunities for collaboration that were not tapped. PROFIT and other CAs exchange newsletters and reports, but in general, there appears to have been little exploration of possibilities for collaboration with relevant projects. This is not a unilateral criticism of PROFIT's earlier leadership since desirable and feasible collaboration is a reciprocal obligation of CAs and their Cognizant Technical Officers (CTOs); it is always encouraged but difficult to bring about. An example of potential collaboration: while PROFIT used the DHS reports in their country assessments, there were no conversations with DHS staff about the possibility of doing special cross-tabulations in the countries where PROFIT had or planned subprojects, nor were there requests for additional questions on the private sector for forthcoming surveys in countries of mutual interest. PROFIT may have been unaware that DHS entertains these types of requests and frequently works with other CAs on special studies.

Similarly, the Population Council's Operations Research/Technical Assistance Project (OR/TA) might have collaborated with PROFIT on the design of quasi-experimental research comparing different approaches to integration of FP/RH in the private sector in a number of countries. For example, they might have jointly implemented cost-benefit studies comparing outcomes of subproject initiatives which undertook extensive review of company records on health costs and employee/dependents profiles with subprojects that made brief, persuasive presentations to company leaders using successful case histories and had also relied on used personal contacts and introductions. PROFIT might also have collaborated on the questionnaire of the OR/TA's consumer and provider study in Kenya that was launched in July 1994. This study compared patronage of family planning services in public, NGO, and private providers by the main reasons that consumers give for picking one over the others— cost, convenience, and quality. The Population Reference Bureau's ongoing series of pamphlets on successful family planning programs/models could also have provided a vehicle for dissemination of information on successful PROFIT initiatives, but few if any lessons learned from PROFIT were ready for write-ups at the time all other CAs received invitations to submit descriptions.

Regarding other linkages, staff of the World Bank, the Rockefeller Foundation, and other

organizations were included on PROFIT's advisory panel, and this provides a structural link to these relevant groups. More could be done to exploit those links for assistance in developing contacts in some countries and for possible direct collaboration if feasible. A notable exception is represented by the director of one CA, the Contraceptive Research and Development Project (CONRAD), who recently joined the advisory panel and whose organization is collaborating with PROFIT. There is also the possibility of linkages with national and international business associations. For example, Rotary International is mobilizing the business community in both developed and developing countries to work for the eradication of polio. Such organizations could be allies for integrating FP/RH in the private sector.

More recently, with new leadership and the addition of senior staff who have active backgrounds in USAID population projects, PROFIT has significantly increased the pace of outreach to and contacts with other CAs. PROFIT staff serve on the EVALUATION Project's Sustainability Working Group and are collaborating with the Center for Communication Programs at the Johns Hopkins University on a forthcoming *Population Report* on the private sector. Within the past several months PROFIT has also given a series of Open Forum presentations to USAID, Regional Bureaus, and CAs.

In Indonesia, the PROFIT staff participate in the general CA meetings and the special task group concerned with midwives. In the Philippines, PROFIT staff have conducted provider and consumer surveys in cooperation with SOMARC and have made joint presentations on project status and research findings in the regular USAID/CA meetings. In Kenya, PROFIT benefitted from the resident staff of the HCFP with which it has collaborated well. In Zimbabwe, PROFIT's local staff shares an office building with SEATS and the two projects are working together in at least one of the subproject initiatives. As suggested earlier, the PROFIT home office team was not very successful in establishing close linkages with CAs that had experience in such areas as employer-based family planning. Because of the difficulties PROFIT encountered in getting good support from USAID Missions, USAID/W should be mindful that such partnerships need to begin with the conceptualization phase of new centrally funded or centrally managed projects and continue over time. Such teamwork and shared commitment is especially critical when the project is used to test new approaches to doing USAID's business, as was the original goal of the PROFIT project.

3.6 Organizing and Using Integrated PHN Project Teams

Fully integrated project teams require more than "Virtual Teams" for electronic interaction (via E-Mail) or the periodic use of cross-training or "SOTA" (State of the Art) sessions. For example, it appears that PROFIT has often tried to achieve integration of investment and family planning specialists largely through cross-training and integrated "strategy" documents. However, the post-training operations of such specialists are often not adequately linked through supervision or resource/work scheduling to achieve the desired synergistic impact.

Some PROFIT subprojects thus appear to have experienced problems that might have been anticipated and addressed by an integrated team made up of people with more local cultural or country knowledge or more experience in designing and managing development projects. For example, someone with knowledge of the parties involved in P. T. Bonnys and its parent organization in Indonesia might have detected the existing financial weaknesses of the consortium (due to over-borrowing) and the risks of investing in it. However, PROFIT staff note that they and USAID Mission staff were aware of such financial risks, but still decided to proceed with the subproject. Fortunately, PROFIT, with the Mission's help, was able to recover USAID investment funds when the local structures began to fold.

These hindsight comments are not made to criticize the contractor, but to suggest a few areas to focus on during the PROFIT contract's final report. More importantly for USAID/W is the identification of problem prevention methods that might be used in the design and execution of future PHN projects of this type. For example, what critical skills should be represented on project teams at various levels? The PROFIT contract experience suggests that USAID project managers need to use a broad "systems" approach and involve people with the basic knowledge and skills shown in table 1.

For optimum effectiveness, such integrated teams should exist in Washington, the Mission, the host country sponsoring organization, and in the contractor/grantee's organization. In some cases, it is also essential for the project contractor/grantee to have an adequate and continuing in-country presence (i.e., through local offices, partners, or linkages to other development organizations).

Conclusions: The evaluation team focused on several of the same areas covered in the USAID Third-year Management Review and arrived at some of the same conclusions, since there had been few major changes in plans or the pace of implementation since that time. As discussed in this report, the PROFIT contractor did not achieve several of the original contract objectives for various reasons, some of which were outside of the control of the project leadership. However, there is also a contrast between the confident approach and resource availabilities touted by the contractor in its proposal and its relatively conservative action in implementing the contract. There is thus little evidence to indicate that the contractor exerted proactive leadership to identify or pursue a basic new approach when it became evident that the debt-swap strategy was not viable. Consequently, the existing subproject folio was implemented so late in the contract that many activities have yet to produce a significant programmatic impact. This lag becomes significant because the contract strategy called for the 20 "substantial" subprojects that had been planned initially to provide the primary means of achieving other contract objectives, including the establishment of a private sector talent resource for USAID.

Table 1

Competencies Needed by Integrated PHN Project Management Team

SKILL CATEGORY	ILLUSTRATIVE TASKS
(1) General Project Leadership	Provide overall direction and motivation; integrate specialist inputs—both in the USAID and cooperating country programs; and link the project staff to higher levels of USAID and cooperating organizations. Establish and maintain open and effective communication mechanisms.
(2) Development Project or Program Management	Designing, implementing, and evaluating innovative cross-cultural or international development projects. Advise and assist on achieving outputs, maintaining high-quality work, and meeting time and funding targets.
(3) Contract/Grants Management	Assist in selecting and using the best instruments for funding the project (apply broad knowledge of grants, contracts, cooperative agreements, etc.).
(4) Commercial and Financial Sustainability	Planning and negotiating loans, investments, and sustainable/replicable activities by commercial organizations or PVOs.
(5) Population, Health and Nutrition (PHN)	Integrating the strategies, services, technologies, and supplies needed to serve clients effectively.
(6) Area and Cultural Knowledge	Advise on cultural practices and strategies for appropriate behavioral change. Adjust or link project approaches to critical country-specific or area-specific cultural, economic, political, social, or other factors.
(7) Independent Feedback Group	Provide regular impartial feedback to project staff on progress and problems and serve as "devil's advocates" throughout the life cycle of the project.

Although the subproject objectives were not fully achieved, the contract provides a valuable source of technical assistance on private sector approaches. The contractor's innovations in project funding modes appear to be more significant than those in the improvement of PHN service delivery.

Lessons Learned

1. Given the rapid pace of changes, USAID may need new project management systems and practices that can quickly change directions when key planning assumptions prove to be invalid or overtaken by events, including objective decision processes to terminate activities which are not achieving essential programmatic impact.

2. Changing USAID funding and staffing constraints may require more flexible structures and staffing configurations to encourage inter-project (inter-contract) collaboration and sharing of specialized talent. Projects and contracts sometimes appear to operate in a rather narrow and self-contained mode which leads to duplication of cost and effort. Tighter overall PHN program/project designs and enforced operational coordination may be needed to promote impact synergy among CAs. The regular and continuous use of interdisciplinary planning teams, alliances, and networks may also be desirable to help ensure a balanced coverage of program priorities (e.g., among such competing concerns as local sustainability, family planning versus other PHN needs, or increased quality of client services).
3. A minimum level of country staff presence needs to be defined for implementing innovative projects such as PROFIT in priority countries. Since it may be difficult to have permanent in-country staff, such local presence may be provided through a variety of staffing modes, supported by regular electronic and face-to-face communication and interaction among key players.
4. The role and effectiveness of technical advisory groups for PHN contracts appear to vary widely. A more uniform USAID framework for the composition and role of such groups could lead to their more effective use. If such groups are expected to serve as independent sources of advice to the contractors and USAID, then the concerned USAID project staff should probably not be members of such groups.
5. Central USAID management staff must develop mutual and continuous life-of-project partnerships among Washington, Mission, and cooperating country staffs to ensure good implementation of central projects. These partnerships should begin with the conceptualization phase of new projects. This is especially important when new concepts and endeavors are being launched through USAID projects.

4. FINANCIAL AND PROGRAM MANAGEMENT

4.1 Leveraging of Resources by PROFIT

One of the basic purposes of the PROFIT project was to increase the share of PHN financing provided by the private sector in targeted countries. Table 2 summarizes information provided by the PROFIT contractor to show the favorable ratio of funds leveraged through its outlays in nine subprojects.

The P. T. Bonnys and Russia subprojects were terminated early but for appropriate reasons. The two Philippines projects are also being terminated early, so the funding data on these may need to be adjusted.

4.2 Costs of PROFIT's Investments to USAID

It is also appropriate to look at the **overall cost to USAID** that the PROFIT contract has incurred in its leveraging of funds. Table 3 provides a breakdown of PROFIT's overall expenditures under the USAID Core Contract. Table 4 shows the relationship of the seven extant subproject loans/investments in cooperating countries to the total Core Contract and Mission support outlays in these countries.

In addition to the seven country-based subprojects shown in table 4, there is a US\$2.5 million loan investment in a U.S. contraceptive manufacturing firm. This loan was not assessed by the evaluation team because of proprietary issues of the U.S. borrower. Also not shown in table 4 are the PROFIT operation in Zimbabwe, which is funded largely through a Mission buy-in of US\$1.1 million, and the assistance in Romania. Some of the total PROFIT expenditures for each country presented in table 4 covered technical assistance or other activities that are not directly related to the subproject.

It would be useful if there were outputs in the cooperating countries which demonstrated the cost effectiveness of the investments. Unfortunately, even though it is Year 5 of the PROFIT contract, the subprojects have not progressed to the point where a meaningful and documented assessment of impact or sustainability can be made. As suggested in the discussion of individual subprojects, the evaluation team believes that some have the potential for wider expansion or replication, provided that current progress continues and USAID and the contractor continue to devote adequate attention to them during the remaining 16 months of the contract.

Table 2

Leveraging of Funding Reported by the PROFIT Contractor (in US\$)

Country	Subproject	Total PROFIT Project Funding	Partners Funding	Total Funding	Partners Share of Total
Brazil	UNIMED/ MACEIO	1,030,177	1,122,000	2,152,177	52%
Brazil	CEPEO	544,000	0	544,000	0%
Indonesia	P. T. Bonnys	688,788	1,000,000	1,688,766	59%
Indonesia	Midwives Loan Fund	755,876	500,000	1,255,876	40%
Philippines	Low Cost Health Plan	240,782	689,000	929,782	74%
Philippines	Physicians Loan Fund	489,952	0	489,952	0%
Russia	Commodities	259,911	0	259,911	0%
Kenya	AAR Health Services	447,785	5,000,000	5,447,785	92%
India	Community Social Marketing	192,943	870,000 [from UK]	1,062,943	82%
Worldwide	Contraceptiv es Development	2,500,000	9,000,000	11,500,000	78%
Adjustments	Bonnys Repayment & Brazil gains	(760,768)			
TOTALS		6,389,446	18,181,000	24,570,446	74%

Source: Data from PROFIT contractor's table on leveraging provided to the evaluation team on June 6, 1996 and a memorandum from the PROFIT contractor dated June 28, 1996.

Note: Commitment was originally US\$700,000 for CEPEO/Brazil, but disbursements equal US\$544,000.

INSERT TABLE 3

Table 4**Ratio of Investments/Loans to Total USAID Outlays (in US\$)**

Subproject	PROFIT's Investment/loan	PROFIT's Total Expenditures 1992-96	Mission Support Funds 1995-96	Estimated Total Country Outlay	Investment Or Loan As % of Total Outlays
BRAZIL: 1. UNIMED 2. CEPEO	1,021,977 544,000	3,105,147	960,000	4,065,147	39%
INDIA: 3. CBSM (New 3/96)	189,000	498,851	0	498,851	38%
INDONESIA: 4. Midwives Loan Fund	500,000	2,243,245	240,000	2,483,245	20%
KENYA: 5. AAR- Health Services	414,000	452,470	200,000	680,000	71%
PHILIPPINES: 6. Health- Savers 7. Drs. Loan Fund	150,330 300,000	1,217,177	300,000	1,517,177	30%
TOTAL:	\$ 3,119,307	\$7,516,890	\$1,700,000	\$9,216,890	34%

Sources: Data on investments are from PROFIT table on "Leveraging of Subproject Funding," provided to the evaluation team on June 6, 1996. Data on country expenditures are from briefing book prepared by PROFIT staff for the evaluation team. Mission support data are from table prepared by PROFIT on "Summary of Core and Field Support by Country."

Note: While original commitment equaled US\$480,000 for Kenya, exchange rate variations have reduced this to US\$414,000. The original commitment for CEPEO/Brazil was US\$700,000. Some of the Mission Support Funds for Brazil and Kenya may be included in PROFIT's total expenditures, so total country outlay may be overestimated (per advice in PROFIT contractor memorandum dated June 28, 1996).

Table 5 shows that expenditures for the five active subproject countries have accounted for 46 percent of the total contract expenditures of US\$16 million, while 44 percent went for general activities or support costs not allocated to country-specific operations. The performance of the contractor in leveraging resources for cooperating country programs is less impressive when the total costs to USAID are included in the calculation. However, it must be pointed out that the overall portfolio of activities includes not only loans and investments but grants and technical

assistance as well as the usual support functions (monitoring, evaluation, research, and dissemination) so some care must be taken in drawing conclusions about the contractor's overall performance in leveraging resources.

Table 5

General Breakdown of PROFIT Contract Expenditures (in US\$, as of March 9, 1996)

Category	Amount	% Of Total Expenditure
Expenditures in five countries with active investments/loans	7,516,890	46%
Expenditures in other countries	1,676,713	10%
Expenditures not attributed to countries	7,294,737	44%
Total expenditures (as of 3/9/96)	\$ 16,488,340	
Total contract budget (as of 5/96)	*\$ 29,126,540	

* Total budget was reduced from 1991 level of US\$36,392,517 (of which US\$17,400,000 was earmarked for debt conversion).

The PROFIT contractor suggests that their June 1996 data, presented in Table 6, provide a better perspective on input costs and reflows for the life of the contract. Their estimates include a marketing and distribution subproject in Russia and the P.T. Bonnys subproject in Indonesia (both were terminated prematurely) and the U.S. project on contraceptive manufacturing. This table demonstrates, according to PROFIT, that a program such as PROFIT can mobilize external funding and recover investment funds for desirable social aims from the commercial sector and other interested donors.

Conclusions: The broad cost categories used in the contract budget make it difficult to assess the cost effectiveness of specific activities or the overall return to USAID on its investment in the contract. Future contracts need to establish clearer linkages between each significant contract output and the total cost of producing that output (see Government Performance and Results Act).

In its financial analysis, the evaluation team focused on the costs/results of the extant subprojects because a) these are the most tangible cooperating country activities to date, and b) the PROFIT Contract Strategy saw the development of 20 significant and sustainable subprojects as a primary

activity through which the other major contract objectives would be

Table 6

PROFIT Contractor's Estimates of USAID Inputs Versus External Inputs or Reflows for the Life of Contract (in US\$)

Category	Usaid Inputs	External Inputs Or Reflows
Investments	6,786,000	6,498,000 (estimated)
Other (Technical Assistance)	1,714,000 (estimated)	18,181,000
Operations	18,627,000	—
TOTAL	27,127,000	24,679,000

Source: Memo from PROFIT contractor to evaluation team member, Judith Seltzer, June 28, 1996.

achieved. It is still too early, however, to assess the actual impact or long-term replicability of most subprojects. Given the rather small number and limited scope of the extant subprojects, the PHN developmental impact or overall return to date has been relatively modest in relation to the overall level of funds invested by USAID in the PROFIT contract.

The team's approach to assessing general cost effectiveness is judged by some observers to be unfair because of the costs involved in implementing other PROFIT contract activities, such as technical assistance, research, or information dissemination. Consequently, more specific task and budget categories, priorities, and linkages may need to be delineated in the contract documentation before it is possible to make the types of cost-effectiveness assessments mandated by current federal performance management guidelines.

5. LESSONS LEARNED

The body of the evaluation report contains numerous lessons learned. The following is a summary of the more general and important lessons.

5.1 USAID Project Design

1. As suggested in the evaluation of antecedent private sector projects, there is merit in concentrating the efforts of new or innovative operations in a limited number of countries to achieve a critical mass of inputs and subprojects.
2. Adequate contractor staff presence in the field is important for maintaining critical continuity of operations and relationships with key stakeholders throughout the life of the country program.¹⁸
3. USAID's decreasing resource levels suggest that the cost recovery or resource leveraging strategies developed under the PROFIT, SOMARC, and similar programs need to be fully documented and disseminated for application to other relevant PHN projects.
4. A prerequisite for working successfully in the commercial sector through USAID Missions is that the Mission should have a well-defined strategic objective in this area. For example, the USAID/Zimbabwe bilateral agreement states that the role of the commercial sector in service delivery will be increased by a certain percentage. In Indonesia, privatization is a goal of the GOI as well as USAID.
5. The time frame (life of contract) for a highly creative or innovative contract may need to be longer than the usual five-year norm to permit adequate time for start-up and gestation.
6. The role and effectiveness of technical advisory groups for PHN contracts appear to vary widely. A more uniform USAID framework for the composition and role of such groups could lead to their more effective use.
7. Given the rapid pace of environmental change, USAID may need new project management systems and practices that can quickly change directions when key planning assumptions prove to be invalid or overtaken by events (including objective decision processes to

¹⁸As has been mentioned, the PROFIT contractor was not able to field a staff in some key countries, and some established field staff were later discontinued as USAID faced increasing pressure to reduce its field operations and personnel.

terminate activities which are not achieving essential programmatic impact.

8. Changing USAID funding and staffing constraints may require more flexible structures and staffing configurations to encourage inter-project (inter-contract) collaboration and sharing of specialized talent. Projects and contracts sometimes appear to operate in a rather narrow and self-contained mode that leads to duplication of cost and effort. Tighter overall PHN program/project designs and enforced operational coordination may be needed to promote impact synergy among CAs.

5.2 Strategies in the Commercial Sector

1. A key lesson for USAID is that it should have ventured into the world of innovative investments much more cautiously and with fewer dollars. Such an altered emphasis would have sent a different message to bidders on the RFP and would probably have resulted in staff composition that is better able to follow up previous projects' experiences and also break some new ground.
2. USAID loans for risk-sharing can provide the critical catalyst needed to stimulate local private investment in new efforts to offer lower-cost health insurance and services.
3. It is possible to get providers to borrow funds to add family planning and other reproductive health services and to stimulate them to commit their own resources to these endeavors. Family planning appears to be too narrow a niche among health services to get providers interested. The profitability of such endeavors is not yet known.
4. Developing investments for family planning/reproductive health in the commercial private sector requires a number of important ingredients or conditions:
 - Access to capital
 - A favorable environment and sufficient market in which a business venture can be established and become profitable
 - An active private health infrastructure with providers and/or insurers
 - Partner entrepreneurs who run client-oriented and socially-minded enterprises
 - Good management and administrative capacity by the partner

The funds should be a mix of equity, loans, and guarantees, and they should be coupled with infusions of technology, technical assistance, and training as appropriate. A critical part of the investment is the start-up and on-going provision of technical assistance.

5. The combination of professional deal makers (those with financial and business skills and experience) and on-the-ground collaborators who know the local setting, public sector health service delivery, and health financing is essential.

6. The commercial sector is widely variant, almost idiosyncratic, and typically more fiscally conservative and risk-adverse than USAID had assumed previously.
7. Economic and financial reasons for undertaking an activity are only one of a number of reasons why a company will become a partner in an FP/RH venture.
8. The existence of opportunities for impact in FP/RH through the commercial private health sector was affected by various factors including the stage of development of family planning in these countries. USAID and PROFIT might have benefitted from a conceptual framework outlining the stages of development of family planning in developing countries. Such a framework could have been used to market the project to USAID Missions and also decide the nature and mix of its interventions in FP/RH. This framework could also be used to identify the desirable interventions to be done by other USAID projects (such as addressing governmental policies and structural reforms) that could affect the creation of opportunities in the commercial private health sector. (see Appendix I for a preliminary framework.)

5.3 Subproject Development and Implementation

1. Significant technical assistance was provided by PROFIT in the course of developing and implementing subprojects. While this need was clearly anticipated in the contract, it should be reiterated as a lesson learned.
2. Subprojects that are commercially-based ventures should have the latitude to pursue business opportunities (e.g., adding new products) that enhance their sustainability and are at the same time consistent with the original subproject goals.
3. Project designs for USAID-funded PHN loan funds need to define clearly the linkages between the use of the loan funds and improved PHN outputs (and any expected impact on local or national PHN improvement measures).
4. Subprojects must address real needs (of unserved groups or populations served by the public sector that can pay) and not simply provide funds to for-profits groups so they can improve services to already served middle and upper classes.
5. Developing subprojects with for-profit groups requires good "due diligence" analysis of who the groups are and whether they share common goals with the funding source.
6. Careful monitoring of risky subprojects with for-profit groups is important as well as having a mechanism for terminating subprojects stray from their original purpose and no longer serve the intended beneficiaries or objectives.

7. Characteristics of successful subprojects with the public sector are shared goals between the recipient and USAID, strong and enlightened public sector support, and a continuing relationship with key actors in the public sector.

5.4 Other Project Components

Research

1. A research agenda based on expressed consumer needs and interests rather than research reports distributed post-hoc is more likely to engage the interest and satisfy the needs of those consumers. Had circumstances permitted, earlier efforts to involve the Missions in identifying research topics might have led to greater interest in project activities on the part of USAID Missions.
2. Operations research is powerful because it can help answer one basic question for USAID Missions, business leaders, and health professionals: "Compared to what?" (See section 3.5, Links to Other PHN Projects.) Since there are OR contractors with whom to collaborate, a project such as PROFIT can work together with others to conduct OR as appropriate.

Dissemination

1. The dissemination plan and criteria for selecting the research and other information that will be transmitted through the plan must be genuinely strategic; it should follow a careful analysis which examines who needs what information in order to do what to help solve what problem.
2. USAID Mission PHN staff are not ready-made consumers of what the project has to offer. Earlier attempts to ascertain their informational needs and interests and kinds of formats and channels they prefer might have contributed to greater Mission interest in the project.

5.5 USAID Leadership and Staffing

1. The introduction of innovative program approaches (such as PROFIT) needs to receive a relatively high level of USAID senior management support and direct involvement in both Washington and the Missions, if they are to succeed. Otherwise, the perceived higher risk in implementing such new initiatives may cause them to receive less attention than more traditional or continuing programs.
2. Some USAID Mission staff are not accustomed to dealing with CA staff with primary expertise in finance and business. For PROFIT-types of endeavors to be successful in the

future, USAID staff will need training to better appreciate how to draw on investment and business approaches to expand private sector options for health service delivery. In addition, USAID may need to hire individuals with different expertise to implement endeavors in the commercial sector successfully. This is still a new area for USAID PHN programs, and it requires new expertise as well as training of existing staff.

3. Central USAID management staff must develop mutual and continuous life-of-project partnerships among Washington, Mission, and cooperating country staffs to ensure good implementation of central projects. These partnerships should begin with the conceptualization phase of new projects. This is especially important when new concepts and endeavors are being launched through USAID projects.

6. RECOMMENDATIONS

6.1 For the Remaining Life of the PROFIT Contract

1. **Subproject Models:** The evaluation team sees an urgent need for the PROFIT staff to continue providing specialized assistance and other support for the more promising subproject models. These subprojects should be guided, given further assistance and funds to scale up where appropriate. Some subprojects may need advanced level expertise in such areas as HMO marketing, design and execution of country-specific PHN sector strategies, broader PROFIT evaluation and research operations (including cross-country comparisons), in-country results dissemination, or packaging of proposals for replication of some PROFIT activities through other funding sources (e.g., cooperating governments, IBRD, ADB, or bilateral donors).

For those subprojects that involve investments, USAID and the PROFIT contractor should review the portfolio of subprojects and decide which ones to divest and which ones to transfer to another organization to complete implementation.

2. **Evaluation:** PROFIT should continue to monitor the on-going subprojects and ensure that data for the evaluation indicators are being collected. Once sufficient results are available, the data should be analyzed and assessment reports prepared. At this stage, PROFIT should also assess how its evaluation efforts might inform other evaluation efforts in the PHN field. (This was called for in the scope of work for this external evaluation but could not be addressed given the dearth of evaluation results.)
3. **Monitoring:** PROFIT should choose one subproject and assess the adequacy of PREMIS in tracking its progress and providing data for course corrections. Based on this assessment, PROFIT can make recommendations for a MIS in the follow-on project.
4. **Research and Dissemination**
 - a) PROFIT should explore the possibility of doing small-scale operations research on projects that are just getting under way (e.g., Romania and Zimbabwe). This could be done by PROFIT and business partners or by connecting with the OR/TA projects.
 - b) After an appropriate interval, PROFIT should gather follow-up data from recipients of the first reports in PROFIT's research series in order to ascertain what actions, plans and changes in attitudes regarding commercial sector FP/RH may have occurred as a partial result of its dissemination program.

- c) The PROFIT contractor should further develop its dissemination strategy by segmenting audiences, based on a sample survey of these audiences. If feedback from intended users supports this approach, use e-mail and one-page "press releases" to disseminate summary information.
- d) PROFIT should document its experience with cost-recovery and resources leveraging strategies and disseminate the results for wider application in the PHN field.

6.2 For a Follow-on Activity

6.2.1 Overall Purpose and Design

1. USAID's "business of tomorrow" should continue to promote the involvement of the commercial sector in order to achieve sustainable financing to meet the needs for family planning and health services. This will require changes in the USAID environment and staffing.
2. The design should encompass broad policy dialogue (public, commercial, and nonprofit institutions in developing countries and the donors) as well as continued testing and expansion of promising models. The broader policy area should be an integral part of the project's design, but not depend solely on the project to bring about policy reform.
3. NGO Sustainability. Because USAID Missions and local NGOs need help in assessing and planning the future sustainability of NGOs, a mechanism should be developed to address the need, although not necessarily through a follow-on project whose central objective is working with the commercial sector.
4. Given the growing move toward privatization of family planning, USAID should bring together its multi-directional strategies (policy reform, models, and different ways of organizing demand and supply) in a coherent, coordinated, and reinforcing program that would help advance the development of commercial private sector family planning.
5. To ensure adequate participation of appropriate USAID-assisted countries, any future project should be designed as collaboratively as possible with field Missions so that the objectives are consistent with field programs. The future design effort **must** involve key staff from USAID Missions who know something about implementing the commercial sector models.
6. If a follow-on endeavor involves the identification and development of "innovative investments," sufficient time should be built into the project design (perhaps transcending the five-year time frame of current contracts) to allow these investments to mature and

realize a return.

7. USAID should consider creating an appropriate investment vehicle (e.g., modify the Summa Foundation, convert Summa into a "mini-IFC" for family planning/MCH) to pursue the objective of generating funds for FP/RH. (See Appendix D on the Summa Foundation.)
8. Given USAID's decreasing resource levels, a basic design requirement should be a life of project (LOP) funding schedule that demonstrates an increasing ratio of cooperating country cost sharing (private/public) as the project proceeds over time. Similarly, USAID and contractor staff need to develop specific action plans for USAID phaseout and turnover of operations to cooperating countries/other donors to ensure that they receive adequate attention in Washington and the field.

6.2.2 *Strategies for the Commercial Sector's Involvement*

9. USAID should develop a framework on the stages of development of the health sector to identify new and inform existing strategies for involving the commercial sector. Coupled with this, USAID should explore its past experience and that of other funding institutions in providing assistance through non-grant programs (i.e., loaning or investing, but not giving away funds) to look for additional strategies for FP/RH in the commercial private sector.
10. While opportunities for debt conversions may exist in the future, the future design should include them as one possible avenue to generate investment funds and have modest expectations of the level of such funding.
11. The strategies for working with the commercial sector in family planning should incorporate working within the larger context of health service delivery such as FP/RH.
12. The strategies for developing activities with the commercial sector should take into account that financial incentives can be a necessary, but not sufficient reason for private sector groups to invest their own resources in family planning.
13. Future efforts to set up commercial distribution and marketing companies should be coordinated with USAID's overall strategy for contraceptive commodities in a given setting.
14. Based on PROFIT's experience, there do not appear to be great opportunities for local manufacturing of contraceptives in developing countries, given the existing role of pharmaceutical companies, the donors, and local governments. For the foreseeable future, additional efforts to develop local manufacturing ventures should be left to those groups

with experience in contraceptive manufacturing.

15. USAID should take the lead on a global basis to encourage local commercial initiatives and to limit the provision of free contraceptives to those who absolutely cannot afford to buy them. This will involve a long-term strategy that goes beyond the bounds of one commercially oriented project.
16. USAID should establish an appropriate mechanism for loaning funds for contraceptive technology development through its contraceptive development program.
17. Working with private sector providers should be an important component of any follow-on endeavor. The models developed by the current PROFIT contract should be analyzed and used as a basis for preparing "how to" materials for prospective partners. (see Recommendation No. 22 below)
18. Employer-based opportunities (e.g., privatized industrial parks in Indonesia) should be revisited as an important strategy, given the increasing emphasis on sustainability and growing numbers of employees potentially able to pay for services.

6.2.3 *Subproject Development*

19. Successful models from the current PROFIT contract should be followed, developed further, and replicated.
20. Significant technical assistance should be an important part of any future project design with the commercial sector. Such assistance includes country, sector, and investment assessments as well as local and headquarters management of the investments. The assistance is needed in the course of developing and implementing subprojects. As investment projects start to develop, technical assistance is also an important part of any investment's ongoing development. Intensive efforts (with multiple tranches of funds and technical assistance) will be required to scale up activities and to achieve significant impact from various strategies to promote commercial delivery. (The need for technical assistance is just as great in the commercial sector as it is in the public sector and with NGOs.)
21. Future subprojects that involve investments should incorporate a mix of equity and loans, guarantees with technology transfer, technical assistance, and training.

6.2.4 *Other Components*

22. Monitoring: USAID should incorporate the best features of PREMIS and make additional changes that will permit sound evaluation and monitoring of subprojects and other project deliverables.
23. Research and Dissemination:
 - a) USAID should incorporate operations research into the design and include consumers' interests in various questions in the criteria for selection of OR activities.
 - b) The design should include research/market research of clients and potential clients to assess and/or demonstrate demand, concerns, and preferences for FP/RH services and products.
 - c) The work scope should include a consumer survey (USAID Missions, other donors, lenders, the business and health communities, and other key players) to ascertain what kind of research and information is needed as well as format and channel preferences.
 - d) Develop a "how-to" series for potential partners and backers ("How to make money providing private FP/RH services," "How employers can save money by including FP/RH in health services," "How donors can achieve FP/RH objectives through the commercial sector," "How governments can save money through partnerships with private-sector health services").